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EUROPEAN SUSTAINABLE BUSINESS FEDERATION

CIRCULAR FASHION ADVOCACY

A STRATEGY TOWARDS A CIRCULAR FASHION
INDUSTRY IN EUROPE

2019

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FOREWORD

The fashion industry is at a crossroads. The fast spinning wheels of apparel production have reached such pace and scale that the waste and pollution generated have become a critical global issue. A staggering 73 per cent of materials used for clothing are sent to landfill or incinerated, with less than just 1 per cent of the fibres recycled. Textile production creates greenhouse gas emissions larger than that of international transport. Hazardous substances escape into the environment and affect the health of those making and wearing the garments. Plastic microfibres released from clothes in the laundry machine are polluting the oceans. The fashion industry hasn't considered the planet's boundaries, as it too often focuses on solving short-term economic problems.

Recent modelling results by the Stockholm Resilience Centre suggest that creating an economy that meets the Sustainable Development Goals within planetary boundaries is still possible. However, only by rapid, radical transformations for our entire economy that decouple natural resource use and impacts from economic progress. This study shows that the fashion industry is increasingly aware of the need for action to become a fully circular system. If combined with true efforts to overcome social issues in producing countries, this can lead to real change and open new opportunities in the apparel sector.

However, companies cannot act in isolation. Markets cannot ensure efficiency in the allocation and use of resources if prices do not reflect the true value and costs of resources. Rewards to capital determine the business case and invite to disregard environmental externalities and costs. Most managers still make short-term investment decisions, overly influenced by bonuses based on short-term share prices.

Technological progress is essential for the circular economy, but will not be developed fast enough without a strong demand for circular fashion products – and will not fix adverse incentive systems.

This report provides insights into the economic dynamics of circular fashion. Based on the collective experience and business sense of European green small and medium-sized enterprises and pioneering companies in various sectors, the report provides a more detailed picture of what policy measures such as extended producer responsibility, procurement, fiscal incentives and ecodesign regulation can do. Moreover, where these measures are often opposed by business, the report strongly advocates their rapid development and implementation in the fashion sector.

Political consensus on how to change it is still lacking, both in the more general circular economy debate and for fashion. Advocacy is therefore crucial to build enough support for the EU and member states governments to take decisive measures to foster sustainable resource management and circularity. While some businesses achieve great progress already, only governments and adequate governance models can enable global markets to adopt circular fashion as the new normal.

I therefore call on the fashion industry to join this advocacy for change.

Janez Potočnik

Partner, SYSTEMIQ



About the author - Ecopreneur.eu

Ecopreneur.eu, the European Federation of Sustainable Business, sets a course toward sustainable economic policies on the European level to support the economic and societal transformation across Europe and beyond. Ecopreneur.eu aims at opening solidified structures and brings sustainable matters to European policy-makers. Ecopreneur is a non-profit non-governmental organisation that now holds six associations from different countries of the European Union. Together they represent over 3000 green businesses, mostly small and medium-sized enterprises. While several of these companies are active in fashion, Ecopreneur does not represent the fashion industry.

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C&A Foundation

About the funder - C&A Foundation

C&A Foundation is here to transform the fashion industry. We give our partners the financial support, expertise and networks so they can make the fashion industry work better for every person it touches. We do this because we believe that despite the vast and complex challenges we face, we can work together to make fashion a force for good.

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“The best way to
predict your future
is to create it.”

— Abraham Lincoln



EXECUTIVE SUMMARY



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Textiles and clothing are a fundamental part of everyday life and the fashion industry forms an important sector in the global economy. However, the current system for producing, distributing and using clothing cannot be sustained. It operates mostly in a “linear way”, following the take-make-waste model. Large amounts of non-renewable resources are extracted from the earth to produce clothes that are often used for only a short time, after which they are discarded. The industry as a whole is extremely wasteful and polluting. Less than 1 per cent of material used to produce clothing is recycled. In the words of the Ellen MacArthur Foundation, “on current trend, the negative impacts of the fashion industry will be potentially catastrophic”.¹ In addition to the environmental ones, the industry is facing a number of social issues such as poor working conditions, poverty, exploitation, abuse and gender inequality.

The fashion industry therefore needs to move away from a ‘linear’ model towards a ‘circular’ one. In a ‘circular’ or ‘flow’ fashion economy, clothes, textiles, and fibres are kept at their highest value during use and re-enter the economy to avoid becoming waste.

The fashion industry is increasingly committed to a circular model, but is only at the beginning of a journey to create a more ethical and sustainable future for fashion.

This report focuses on the role that advocacy can play in realising a circular fashion economy. In a circular fashion economy, products and materials flow through a closed loop system by way of repair and maintenance, sharing and rental, re-use of materials and products, collection after use, separation, sorting, industrial processing, design and up-cycling, and recycling into fashion products or into other industries (or from other industries). The system only uses safe material inputs, regenerates ecosystems and does not pollute the environment; processes run on renewable resources and energy, and recycled materials streams are clean. Competition from cheap, low-quality products is eliminated.

To realise a circular fashion economy, there are certain systemic issues that need to be addressed. A trend is needed to move away from business models based on product sales at lowest price only to service models based on true pricing and performance. Furthermore, countries need to create and enforce governance and legislation geared towards circular fashion. In other words, a system which ensures transparency, taxes resources, externalities and energy more heavily and labour less, sets up minimum requirements for fashion products on the market and bans those that do not meet them.

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Governments have driven all major innovations, and only they can change legislation to foster change. By combining policies for procurement, economic incentives and regulation, governments can tilt the existing linear 'level' playing field into a circular one. But how do we ensure government action?

Advocacy is key to creating a new system of governance acting as a powerful lever in driving change alongside proofs of concepts, pre-competitive collaboration and convening, increasing and bundling demand, capacity building, raising worker and community voice, and transparency and accountability.

According to Ecopreneur, a set of policy instruments to accelerate and mainstream a circular fashion economy should be based on the following **five pillars**:

- 1** **Innovation policies** – research programmes with government subsidies, investment tax deduction, technological development and innovation, small and medium-sized enterprises (SMEs) support, with a focus on textile recycling, preventing microplastics release, and calculating external impacts and true prices.ⁱ
- 2** **Economic incentives** – procurement, extended producer responsibility, VAT and a tax shift to drive market demand for circular products and services by making them cheaper and “linear” ones more expensive.
- 3** **Regulation** – establishing a common regulatory framework for transparency and traceability, circular design and improved end-of-waste status across the EU. This regulation should apply to substances of very high concern (SVHC) and textile waste, and should be enforced through taxes, bans and fines – for example, with a ban on landfilling of textiles. The Sustainable Apparel Coalition's (SAC) Higg Index can play a major role here by measuring material flows and environmental impacts of manufacturing systems.
- 4** **Trade policies** – facilitating export of semi-finished products and sorted, reusable textile waste to producing countries. Negative social impacts in producing countries should be avoided. Waste transport across the globe should be minimised.
- 5** **Voluntary actions** – covenants, commitments and standards are encouraged to engage stakeholders, with legislation standing by in case of lacking results.

ⁱ The true price of a product or service reflects the true cost (environmental and societal) of materials and production processes.

EXECUTIVE SUMMARY

Ecopreneur proposes that the recommendations for advocacy messages and actions listed in this report are used by the EU and other key stakeholders to develop a collaborative strategy and plan up to 2030 that supports a circular fashion economy. In addition, philanthropic funders should connect and build the advocacy capacity of non-profit organisations that support circular economy and a circular fashion sector. This is particularly important given the strong influence of lobbyists advocating for the 'linear' status quo.

A key message would be to urge the EU to move first to create a circular fashion economy because it forms a huge economic opportunity, both for Europe and for producing countries; globally, overall annual benefits are estimated by Eurochambres to amount to € 161 billion.⁷ For the fashion industry to realise the economic, social and environmental benefits of a circular economy, immediate action and long-term commitment towards advocacy is needed.



CHAPTER 1 INTRODUCTION

Textiles and clothing are a fundamental part of everyday life and the fashion industry forms an important sector in the global economy. The EUR 1.1 trillion clothing industry employs more than 300 million people along the value chain.¹ At the same time, the fashion industry is problematic. The current system for producing, distributing and using clothing operates mostly in a linear way, following the take-make-waste model. Large amounts of non-renewable resources are extracted from the earth to produce clothes that are often used for only a short time, after which they are discarded rather than reused or recycled. This is damaging the environment faster than it can recover.

According to the Ellen MacArthur Foundation, approximately 73 per cent of the materials used for clothing are sent to landfill or incinerated with less than 1 per cent being recycled to make new clothing.¹ The 2017 Pulse of the Fashion Industry report, put together by Global Fashion Agenda and the Boston Consulting Group, estimated that in 2015, the global textiles and clothing industry was responsible for the consumption of 79 billion cubic metres of water, 1.7 billion tons of CO₂ emissions and 92 million tons of waste.^{2,3} Should growth continue as expected, total clothing sales would more than triple in 2050.

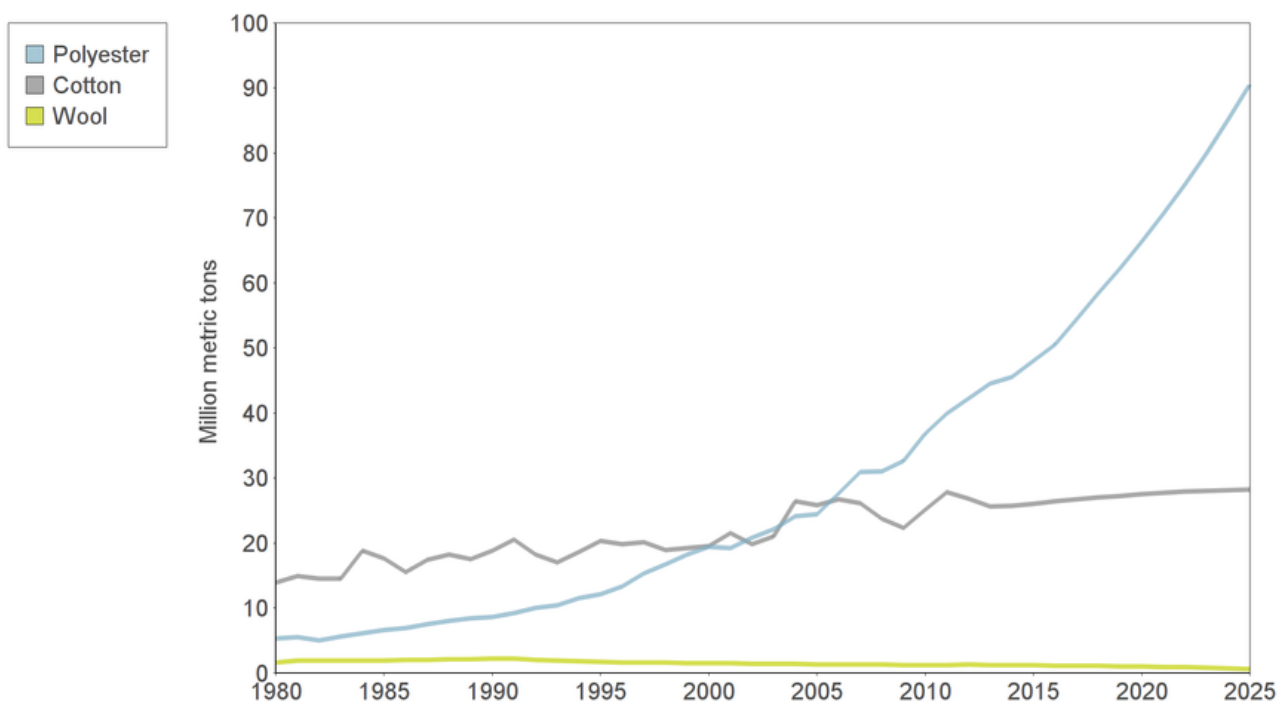


Figure 1. World fibre production 1980-2025, showing a huge increase in the use of polyester fibres.
Source: Tecnon OrbiChem⁴

With the share of plastic-based fibres projected to remain at 63 per cent, this would mean a threefold increase of microplastics entering the oceans as well.¹ In the words of the Ellen MacArthur Foundation, “on current trend, the negative impacts of the fashion industry will be potentially catastrophic”.¹

In addition to the environmental costs, there are a number of negative social issues that proliferate the fashion industry such as poor working conditions, poverty, exploitation, abuse and gender inequality.

The fashion industry therefore needs to move away from a ‘linear’ model towards a ‘circular’ one. In a ‘circular’ or ‘flow’ fashion economy,ⁱⁱ clothes, textiles, and fibres are kept at their highest value during use and re-enter the economy to avoid becoming waste.⁵ Measures to tackle fashion waste include the development of resource efficient and durable fabrics and clothes, leasing and rental services, improved infrastructure for the second-hand market or ‘recommerce’,^{iii,6} recycling of textile waste or discarded clothing and increased transparency throughout the value chain.

Fortunately, measures to foster circular fashion not only tackle waste, but also offer considerable economic opportunities. The economic advantage in adopting a circular fashion economy was recently estimated by Eurochambres at € 161 billion (land use externalities excluded).⁷ In addition, the transformation of the fashion industry’s business model from a linear to a circular system has risen far up on the agenda of the fashion industry.⁸ To support the transition to a circular and inclusive fashion industry, a holistic approach to social, environmental and economic policy-making is necessary.

This report focuses on the role that advocacy can play in realising a circular fashion economy. The focus is on apparel, but it has implications for all textiles applications. It discusses what a circular fashion economy could look like, what government policies are needed to realise it and how advocacy can accelerate its development into a mainstream phenomenon. The report builds on a Circular Fashion Policy Lab organised in May 2018 (see Colophon and Acknowledgements) and includes input from various experts and stakeholders.

ⁱⁱ Or a “new textiles economy” as it is called by the Ellen MacArthur Foundation.¹

ⁱⁱⁱ The process of selling previously owned, new or used products.

Some of the measures proposed in this report, for example increased transparency and a tax shift from labour to resource use and pollution, address both the environmental and social impacts (Chapter 4.1). Ecopreneur is carrying out a separate study about the impacts of an EU circular fashion economy on producing countries. However, additional measures to address social impacts are outside the scope of the report and require further stakeholder collaboration.

This is the first report delivered by Ecopreneur.eu. Ecopreneur has welcomed the opportunity provided by C&A Foundation to apply and test our cross-sectoral policy recommendations to the fashion industry and hope it will form the basis for other sectors to follow.

Reading guide

Chapter two analyses the circular fashion system: the structure, the characteristics and the policy regime. Chapter three further explores the transition from the linear to a circular fashion economy in terms of what needs to change and how policy can make those changes a reality. Chapter four describes the role of advocacy in the transition to a circular economy. Chapter five sets out a strategy to drive policy development, amendment, adoption, implementation and effective operation of a circular fashion economy. It introduces the most important lobby and advocacy organisations within the EU and explores how together they can set the wheels of policy-making into motion. Finally, Chapter six presents a number of recommendations and a set of policy instruments to accelerate and mainstream a circular fashion economy.



CHAPTER 2
WHAT COULD A CIRCULAR
FASHION
ECONOMY LOOK LIKE?

In a 'circular' or 'flow' fashion economy, clothes, textiles and fibres are kept at their highest value during use, and re-enter the economy to avoid becoming waste, benefitting business, society and the environment.¹

Figure 2 visually represents many important aspects of a circular business ecosystem for textiles, with a focus on material flows.

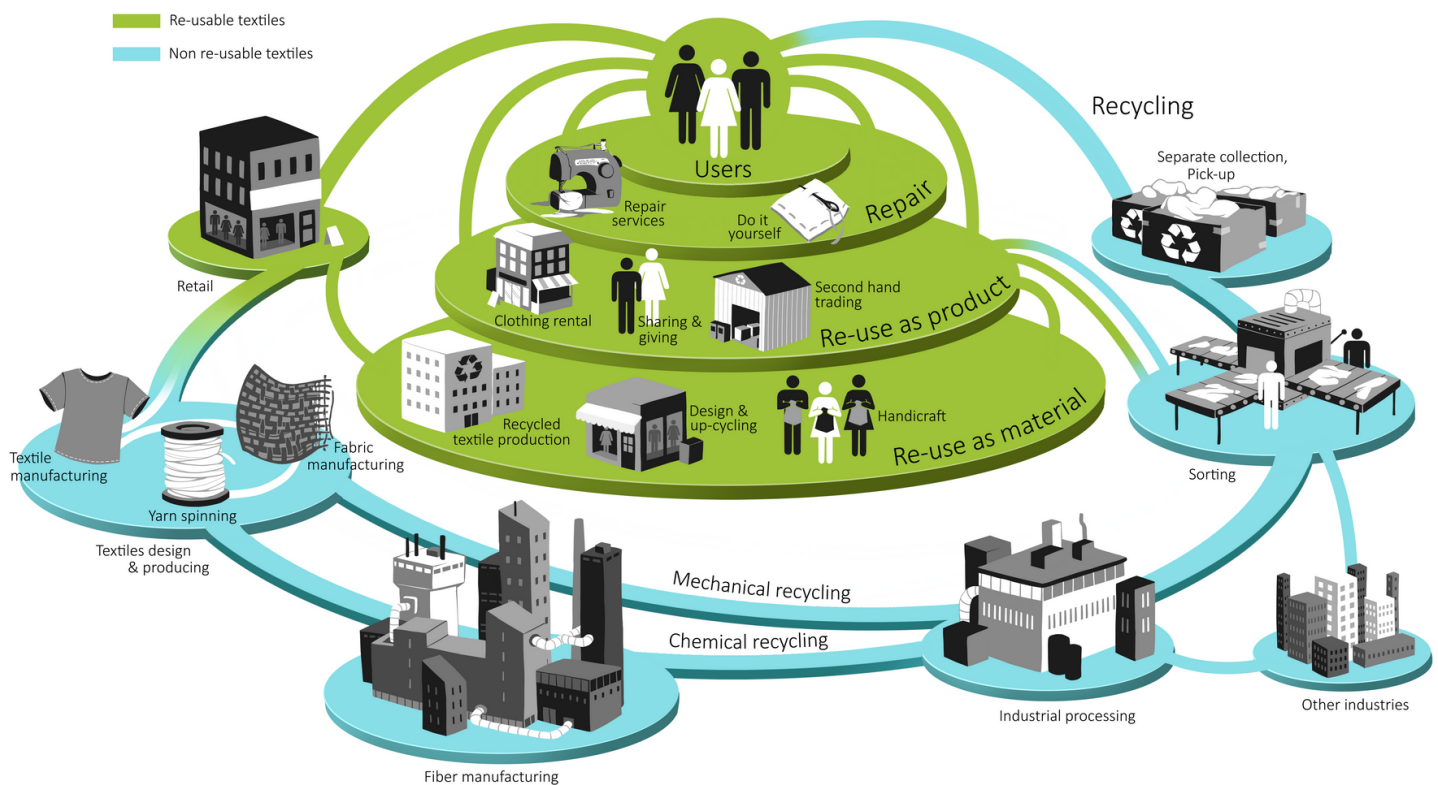


Figure 2: Schematic view of many important aspects of a circular business ecosystem for textiles, with a focus on material flows. Source: Ethica.⁹

The diagram shows how a circular fashion industry could function in the future with closed loops besides some in- and outflux to and from other industries. The model is showing us two flows: the flow of reusable textiles

is coloured in green and the flow of non-reusable textiles is coloured in blue. The green flow suggests in total three ways the user can reuse textiles. It covers:

- Repair and maintenance, using do it yourself or special repairing services.
- Re-use as a product, including second-hand market, sharing and giving or clothing rental services.
- Re-use as material, including handcraft, takeback or collection after use, recycled textile production and design & up-cycling.

The second, blue flow is a sustainable way of recycling non-reusable textiles. It includes pick up and separation, sorting, industrial processing, chemical or mechanical recycling, textile design and production, and links with other industries.

Figure 2 is not showing everything. Connecting the Ethica model to the EMF report¹ and the vision of Fashion for Good,¹⁰ a circular fashion economy should:

- Produce and provide access to an abundance of high-quality, affordable clothing that enhances customer well-being.
- Capture the full value of materials and clothing during and after use. This means using clothing longer and more often (following the green flow in figure 2) and recycling items that can no longer be used (following the blue flow). This provides a challenge because only around 25 per cent of garments globally are collected for reuse or recycling through a variety of systems.

There are large regional differences in collection rates – in Germany 75 per cent of discarded garments are collected, while in the US and China, rates are between 10 per cent and 15 per cent.¹ Many countries, particularly in Asia and Africa, have no collection infrastructure at all¹ with recycle rates as low as one per cent. While in the Netherlands, where apparel reuse is relatively well established compared to many other sectors, there are only around 550 stores for second-hand clothing, compared with more than 9,000 regular stores.¹¹

- Run on renewable energy and use safe, renewable resources. This excludes recycling processes using fossil fuels as an energy source. The input of renewable energy, such as solar and wind allows the fashion industry to counter the processes of wear and degradation. Insofar as virgin material input is still needed to supplement recycled input for producing synthetic fibres, it should increasingly come from renewable resources. This means using renewable feedstock for plastic-based fibres and regenerative, sustainable agriculture to produce any renewable resources. Plastic microfibres are not released into the environment and ocean. During the whole producing, utilisation and recycling process CO₂ emissions are minimised.

There is zero landfill and incineration of fashion products and materials, excluding the small fraction that can no longer be recycled.

- Regenerate ecosystems by net positive impacts, such as producing clean water from production processes and not polluting the environment. The economy consists of an 'ecology of things' inspired by strategies such as ecomimicry.
- Be distributive by design, meaning it creates a thriving ecosystem of enterprises from small to large, retaining and then circulating enough of the value created so that businesses and their employees can participate fully in the wider economy.
- Reflect the true cost (environmental and societal) of materials and production processes in the price of products.
- Use a transparent and traceable transaction system, committing to full and regular public disclosure of all policies, procedures, progress and real-world impacts on workers, animals, communities and the environment.^{8,13}
- Be socially fair at a global level. This means safe and just working conditions without exploitation or abuse, fair wages, gender equality, and inclusivity.
- The legislative system geared towards circular fashion. Circular fashion provides the best business case. Procurement is circular, both in public authorities and companies. Material costs are reduced by using recycled instead of virgin inputs.
- Production using recycled materials in producing countries is facilitated by cross-border take-back systems and free trade of post-consumer waste – provided it is used for recycling.
- Labour costs are reduced by decreasing or eliminating income taxes and prosperity increases.
- Taxes and levies on fashion products and materials reflect their ecological and social footprint. Minimum requirements eliminate the most hazardous substances and worst performing products from the market and ensure that recycled materials streams are clean. Mandatory material passports and intensified, global market surveillance ensure transparency throughout the fashion and textile value chains. Finally, as a result, competition from cheap, low-quality products is eliminated.

Ecopreneur adds to this the following characteristics of the legal and socio-economic system in a circular fashion economy:

Importantly, in a circular economy, the use of fashion products is only limited by the amount of materials and capital available in the economy. This is possible because the negative impacts of fashion consumption in the form of waste and CO₂ have been designed out of the system. The main question becomes: how can this circular fashion economy be realised?

“The circular fashion system of the future needs to be inspired by nature. Take the example of a blossoming cherry tree; it may look wasteful at first view, being covered with an abundance of flowers in spring. However, the flowers provide birds and insects with fruit. The soil, microorganisms and neighbouring plants benefit when the tree drops the blossom on the ground. In the end, nothing is wasted.”

— Enrico Rima, Lebenskleidung



CHAPTER 3

HOW TO GET THERE: THE ROLE OF ADVOCACY

In light of the growing issues of climate change and ocean plastics and the recent interest in the Sustainable Development Goals (SDG) we should first ask, *can* we create a circular fashion economy?

New modelling results by the Stockholm Resilience Centre suggest that creating a circular economy is still possible. Their new complex systems dynamic model “Earth-3” combines the SDGs with global planetary boundaries including the climate, biosphere and economy. The outcome shows that we are not doing enough and tougher interventions are needed to tackle increasing consumption. Rapid, radical transformations are needed not just for the fashion industry but our entire economy.¹⁴

The good news is that we are not too late to start the process and the fashion industry is increasingly committed to a more sustainable and ethical future for fashion. Also, the current European Commission (EC) sees the textile sector as a potential priority accelerated activities towards circularity and creates an urgency about planning for the future.

This begs the question of how we can create a circular fashion economy. Insights to this question have been provided by DRIFT (Dutch Research Institute for Transitions).

Based on their general transition model, DRIFT describes how the fashion industry can transition to a circular economy through the application of six transition pathways of transformative change through a set of specific interventions. One of these pathways is advocacy, which includes lobbying, campaigning, commissioning and publishing research, and other activities intended to influence decision making by policy-makers and financial institutions. The others are proof of concepts, pre-competitive collaboration and convening, increasing and bundling demand, capacity building, worker and community voice and transparency and accountability.¹⁰

The importance of advocacy as a powerful lever of change is severely underestimated. This stems from several misconceptions. Firstly, the role of governments in realising innovation is heavily underestimated. Contrary to popular belief that major innovations can only be realised by business and industry, they can in fact only be realised by government interventions. In the words of prof. Mariana Mazzucato, “In fact, there is not a single key technology behind the iPhone that has not been state-funded.”¹⁵ She advocates for an “entrepreneurial state” that leads the country towards a shared common future.

In the words of Jocelyne Bourgon, a former public servant that led some of the most ambitious public sector reforms in Canada, recently declared in a report from Origame that: “Government needs to go where no one else goes.”¹⁶ And in the words of Jason Kibbey from the Sustainable Apparel Coalition: “Governments have the possibility to become powerful actors in the fashion industry; they can ask for a different future.”¹⁰

Secondly, governments are often seen as weak. Businesses are far more interested in acquiring EU innovation subsidies than in EU policy-making, even though about 50 per cent of all new legislation proposals (including some with far-reaching implications) come from Brussels.

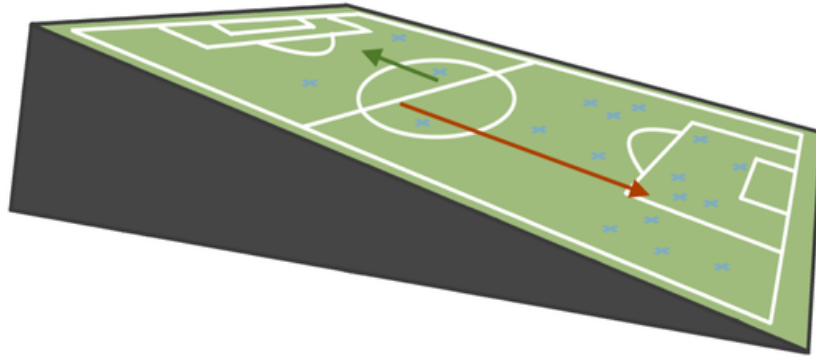
Finally, the power of lobbying is widely acknowledged. Professional lobbyists try to influence legislation, regulation, or other government decisions, actions or policies on behalf of a group or individual who hires them.¹⁷ While it has come to be expected that major industries, such as tobacco and oil will lobby to block all legislative change that impacts their profitability, environmental organisations such as the European Environmental Bureau (E.E.B.) and Friends of the Earth, are powerful lobby organisations as well.

Moreover, the influence of small NGOs doing advocacy can be much larger than the relative size of their constituency compared to, for example, BusinessEurope, provided they gather good intelligence covering a range of EU member states.¹⁸

Without advocacy, legislation will not change. Fortunately, the fashion industry increasingly acknowledges the importance of the government regulation, amplified by a regulatory and political focus on the environmental and social issues present within the fashion industry. Examples of this include China’s ban on the import of plastic waste, as well as single-use plastic bans from the EU, New Delhi and Costa Rica, which are already having a significant effect on European waste streams.⁶

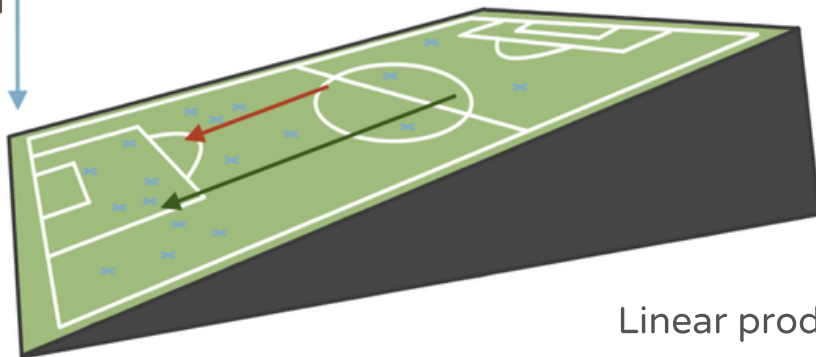
In addition to providing innovation subsidies, such as those described by Mazzucato, the government also holds the role of procurer, legislator and facilitator of collaboration between industries and within value chains. Legislation is vital in creating a methodology for transparency, introducing price incentives that will influence consumers to buy circular products and services, and ensure standardisation and harmonisation¹⁶ of a framework that enables (eco-)innovation and circular business models. In addition, market surveillance is crucial to ensure compliance.

Circular products/services



Linear products/services

Procurement
Price incentives
Regulation



Linear products/services

Circular products/services

Figure 3. Schematic view of the linear (top) and circular (bottom) economy as a football field

Figure three illustrates the possibilities for governments using policy instruments to create a true level playing field. In the current linear economy, the system is completely geared to optimisation of the 'free' market. The market forces, customers and companies (represented by the orange arrows) are driven in the direction of linear products and services.

The desire to create a circular economy (represented by the green arrows) is pointing in the opposite direction and much weaker. As a result of this uphill battle, very few companies can successfully bring products and services to the market.

In contrast to what traditional economists and politicians often state, our current economic system is not a 'level playing field'. To help drive developments and the transition to a circular economy (bottom), government policies for procurement, economic incentives and regulation must all point in the same direction and create a truly 'level playing field'.

According to DRIFT, there are four shaping principles for a future in which fashion is a force for good. The future fashion industry should be; **connected**, **accountable**, where all negative impacts are **internalised** and materials are **valued** in a way they can move from one product cycle to the next. Advocacy has an important role to play in all four shaping principles.

Being 'connected' can be accelerated by advocating governments to facilitate collaboration between industries and within value chains. 'Internalising' impacts, costs and benefits is in fact the core task of advocacy.¹⁶ Finally, advocacy campaigns can encourage governments to highlight the 'value' of materials and products as valuable resources and implement circular public procurement and waste management in the transition to a circular system, and to initiate government campaigns explaining the benefits of going "circular" in general. The next chapter will work all of this out further.



CHAPTER 4
AN ADVOCACY STRATEGY
FOR EUROPE

4.1 Creating the right policy framework

According to Ecopreneur, an adequate set of policy instruments to accelerate and mainstream circular fashion should be based on the following **five pillars for a circular fashion economy**:

1. Innovation policies – programs with subsidies for research, technological development and innovation, SME support and investment tax reductions.

2. Economic incentives – procurement, extended producer responsibility (EPR), tax shift and VAT.

3. Regulation – creating a general regulatory framework that creates harmonised transparency and traceability and minimum requirements for circular design.

4. Trade policies – adapting the waste definition for export to producing countries.¹⁹

5. Voluntary actions – covenants, commitments and standards.

These pillars were the outcome of the Circular Fashion Policy Lab organised by Ecopreneur and the European Circular Economy Stakeholder Platform (ECESP) on 24 May 2018 (see Colophon and Acknowledgements) and are explored in more detail in the following pages.

Pillar 1: Innovation policies

To a large extent, innovation policies are ‘business as usual’.

Through Horizon 2020, the LIFE Program (with e.g. ECAP, the European Clothing Action Plan), the Cohesion Funds and the Executive Agency for Small and Medium-sized Enterprises (EASME), the EU is already subsidising research, technological development and innovation, and SME support. Projects cover topics such as; textile waste, chemical recycling, reducing the environmental impact of clothing across the supply chain, collaboration, as well as measuring and sharing best practice.^{21,22} Advocacy is needed to lobby for budget for innovation programmes that facilitate technological large-scale pre-competitive collaboration and joint implementation of common design and material selection standards, in line with the relevant efforts of the Sustainable Apparel Coalition (SAC), Fashion for Good and Zero Discharge of Hazardous Chemistry (ZDHC).

The EU subsidy schemes should launch calls for developing a shared technological innovation programme with a supply chain perspective that forges partnerships between innovators and frontrunner companies (brands, retailers, suppliers, manufacturers), select key innovations and initiate joint, large-scale projects in transformative innovations (e.g. in product traceability, recovering fibres, green chemistry R&D).¹⁰

Advocacy is vital to increasing the budgets for existing European Commission supported programmes such as:

1. Textile recycling. The difficulties of recycling used apparel, preferably without downgrading of the raw materials, is probably the major hurdle for creating a circular textiles economy. The current status of recycling within the textile industry compares to that of the glass industry 20 years ago.²² Recycling became a success only once purity issues for collected glass were resolved. Problems with textile recycling include the widespread use of biodegradable (natural or man-made) and synthetic fibre (60-70 per cent of all textiles groups) blends. Blends are used to achieve optimal end-use properties but complicate recycling. After shredding, these blended yarns, fabrics and garments can only be used for downcycling as insulating materials or floor protection for painters. Separating natural and synthetic fibres leads mainly to irreversible damage to the fibres, rendering them unusable for further textile processing. Furthermore, the recycling industry is faced with coated fabrics, deep colours and finally, the recycling costs. Government support for the development and upscaling of new technologies for textile recycling into quality products is therefore crucial (also see pillar two).

2. Preventing microplastics release.

With plastics forming 63 per cent of the materials used for apparel, the release of plastic microfibres from washing machines into the environment and oceans is a growing issue. Only partial solutions, such as ball filters and laundry bags, have been identified.^{23,24,25}

Microfibre waste pollution has also been recognised by five European industry associations representing the global value chain of garments and their associated maintenance. They have signed a voluntary Cross Industry Agreement (CIA) to collaborate for the prevention of microplastic release into the aquatic environment during the washing of synthetic textiles.²⁶ Similarly, there is a Microfibre Consortium with several live research projects (but only a limited number of stakeholders behind it).²⁷ An EU funded project should aim for real solutions to prevent the microplastics release from a systems and life cycle perspective. Research topics should include; a switch from staple to filament yarns (like silk) which have no open ends and are therefore far less prone to breaking; the development of synthetic fabrics that don't shed microfibres; fibres that are biobased, biodegradable and sustainable at the same time; microfibre filtering methods; and methods to clean apparel without water.

3. Fashion & textile innovations.

Innovations with the potential to reshape the industry ^{28,29} such as those identified by Fashion for Good and Ecopreneur member MVO Nederland (CSR Netherlands).

In addition and connected to the aforementioned, EU and member states government support is needed for:

- The development and implementation of new artificial intelligence technologies that could help prevent apparel waste by predicting future trends in fashion with forecasting errors reduced by up to 50 per cent.³⁰
- Enabling the sharing economy, servitization (the changing face of service and manufacturing in fashion), and proof on concepts of new, performance-based business models even in the absence of new technologies.
- Overcoming the demand reduction challenge. With waste prevention and recycling still in development, some form of 'slow fashion' is needed to reduce the negative impacts of a growing population. But, how can brands become sustainable without compromising their bottom line? Are there other models that de-link revenue from mass consumption besides servitisation? How will apparel remain accessible to low-income segments?
- Circular design of textiles and garments for recycling, durability, reparability and waste prevention.³¹ For instance, apparel made from either pure synthetic or from pure natural fibres instead of blends can be readily recycled into new textiles. The first steps towards circular design have already been taken. Recycled bottles are already being used to produce polyester or polyolefins fibres. Dutch company Schijvens is the first company to produce 100 per cent recycled corporate clothing made of 50 per cent worn textiles and 50 used plastic bottles.³² Circle Economy is piloting a Circular Fashion Tool in a consortium with three brand and retailer partners.³³ Dutch company UPSET is using a new technology capable of transforming 100 per cent cotton waste into 100 per cent recycled fibres, without adding resource-intensive virgin cotton.^{34,35} UPSET is a partner of the consortium Clothes the Circle, which also includes MVO Nederland, and is developing several circular textiles value chains as part of a cooperation with India and Sri Lanka.³⁶ The Austrian company Lenzing has developed a technology which involves upcycling a substantial proportion of cotton scraps to produce new Lyocell fibres to make fabrics and garments.^{31,37}

Finally, trials at Chemnitz University show that socks made from natural fibres have a higher abrasion resistance than conventional socks using nylon instead. All of these new technologies are in urgent need of further development, implementation and upscaling.

- Calculating the external impacts along multiple lifecycles for all fashion products and developing a user-friendly tool to do this as part of the design process, ideally using the Sustainable Apparel Coalition's Higg Index (see pillar two).
- Calculating financial incentives based on external impacts, i.e. create standard calculation schemes for levies, fees, taxes or premiums for a specific product or service based on its external impact (needed for pillar two). For impacts that cannot be quantified by a life cycle assessment or similar method, such as microplastics release, levies triggered by political action should accelerate change, such as the €0.15 plastic bag levy.
- Developing chemical recycling on renewable energy. Chemical recycling has the attractive potential to transform old clothes into secondary raw materials, but the processes used are generally energy intensive. Practical examples to reduce energy use in textile production include the closed-loop production system used by Lenzing.

The system uses chemical and heat recovery for the production of viscose and Lyocell fibres.³⁸ To make sure the circular economy objective of recycling is in line with climate objectives, the use of EU subsidies should be restricted to processes with net positive CO₂ emissions and be accompanied by research on recycling using renewable energy. In the long term, subsidies for recycling processes based on fossil fuel energy should be phased out.

- Facilitating the replacement of hazardous chemicals by safer alternatives.
- Communicating the safety and risks of chemicals in textiles and fashion and debunking any existing myths.
- Circular fashion policy research, including planetary boundaries and science-based targets, which is often a forgotten topic that is needed to provide insight into the economic and social aspects and consequences of the transition to a circular textiles and fashion industry between now and 2050. For example, the effect of clothing production from secondary materials close to end customers or replacing cotton by a new type of environmentally-friendly fibre may result in job losses for economies reliant on manufacturing, like Bangladesh.

The revolutionary transition to a circular fashion economy requires accompanying measures to avoid social conflicts, poverty and civil unrest in producing countries.³¹

- Extending existing support (e.g. by the Europe Enterprise Network³⁹ and building on the European Resource Efficiency Knowledge Centre - EREK) for SMEs in the textiles and fashion industry (including small brands, design schools and retailers) with national and regional support in the form of awareness campaigns, communicating best practices and successful new business models, harmonised circular design training, tools and communities of practice. **Circular fashion hubs** with regional networks, knowledge, capacities and learning processes focusing on circularity and innovation should be set up in each EU member state. The Circularity Check launched by Ecopreneur, MVO Nederland and WeSustain can be used by companies for self-assessment, as input for internal discussions about their circularity strategy and to measure the completeness of their circular strategy.⁴⁰ The circular fashion hubs should also facilitate access to various sorts of funding for SMEs, including start-ups, with schemes that are funded or backed up by EU financial programmes, venture capital and loans.

Finally, the support should extend to EU-wide knowledge-building by connecting existing networks such as Cradle-to-Cradle and the Dutch Circular Textile Valley and facilitating collaboration between industries and within value chains (see Chapter three).

- Investment tax reductions for sorting, purifying and recycling installations, a common aspect of existing innovation policies, but then geared to circular change.
- Training programmes for those providing finance for the fashion industry, giving them the necessary background and means to evaluate the risk and opportunities of circular business models. This should enable the finance sector to use natural capital approaches, shift financial incentives and support the institutionalisation of valuing natural capital. Similarly to how (part of) the finance sector is currently accelerating the energy transition by taking the CO₂ footprint of investments into account.¹⁰
- The acceleration of social enterprises, for instance those that are active in the reuse and remanufacturing industry.
- National programmes for circular fashion and textiles separate to the EU. As it stands, EU Programmes only receive funding 14 per cent of the time due to poor proposal selection,

long lead times and bureaucratic red tape. National schemes can alleviate some of these shortcomings through SME vouchers with simple access: fast, low threshold, clear criteria, a guaranteed voucher if these criteria are met, minimum red tape and immediate closure of the online application form if the budget is exhausted.

Circular textiles and fashion innovation policies are needed for two reasons: to accelerate the new regime and to destabilise the old one. Lack of access to funding is a major bottleneck for innovation and growth for many SMEs, including start-ups and sustainable companies. Government subsidies are also needed to engage the potential 'losers' of a circular economy. 'Losers' in this case could refer to traditional companies with a strong dependence on linear business models and low innovation potential, lagging behind on resource efficiency. Industrial associations and confederations are lobbying for subsidies because the majority of companies they represent, whether profit-driven multinationals or conservative SMEs, need years to innovate. And yet, if the markets were demanding circular products and services, no subsidies would be needed at all.

There may be some opposition to subsidies from a limited number of sustainable companies claiming they distract from other more important market-driven activities. Also, the history of subsidies has in many cases been perverse, resulting in a negative effect or perpetuating the status quo.¹⁶ Ecopreneur however supports the importance of well-targeted subsidies supporting innovation.

Pillar 2: Economic incentives

Far more important than lobbying for subsidies, is lobbying for the implementation of economic incentives. Without these incentives to create a strong demand for circular business models, technologies will not be implemented (despite the subsidies). To attract consumers, circular fashion products must have the same properties and care conditions as their linear counterparts and ideally (but not necessarily) be available at a lower price. If these targets are achieved, no campaigning for new products is necessary. However, without a driving force for this development, this process will take decades - or may never happen. In the absence of market demand and a clear business case, company boards will continue to favour linear business models despite their circular ambitions.

Therefore, industry incentives to develop and implement circular business models are necessary to drive the transition, similar to how the price on CO₂ emissions is driving the transition to cleaner energy sources. Economists hail CO₂ pricing as the most effective, efficient and honest way to motivate industry to move ahead with the switch to renewable energy.⁴¹ Ecopreneur member MVO Nederland, representing over 2000 sustainable companies, stresses the need for carbon pricing and true pricing as well.⁴² By setting a clear long-term framework, the government creates the conditions in which companies can plan a long-term investment strategy. The same should be done for pricing resource-inefficiency. To the fashion industry's advantage, objects and materials can be traced where carbon cannot. On the other hand, the impacts of waste on the environment are much more diverse and far harder to measure than CO₂ emissions. For the rest, both policies are a classic example of 'mechanism design' to motivate specific behaviour by setting the framework conditions without specifying how to meet them.⁴³

Brands, retailers, suppliers and manufacturers should seek to influence governments in buying and sourcing countries by advocating for tax shifts from labour to capital, natural resource use and the production of externalities.

This will stimulate job creation and incentivise the industry to value materials and create clean, circular cycles.¹⁰ In concrete terms, we are talking about new measures to boost the demand for circular products and services through procurement, extended producer responsibility (EPR), VAT and a long-term tax shift from labour to resources. Like innovation policies, economic incentives are needed for two reasons: to accelerate the new regime and to destabilise the old one. From the perspective of sustainable companies, such as those in the membership of Ecopreneur, [the lack of demand for circular products and services at current prices is the number one hurdle for implementing circular business models](#). While some circular products and services can already compete on price, incentives are needed to remove this fundamental barrier by making circular products and services cheaper than their linear counterparts. In addition, these incentives are needed to destabilise the old regime by making linear products and services more expensive than circular ones through the inclusion of their externalities.

In the following section we further explore the four types of economic incentives.

Pillar 2.1: Circular Procurement

Circular procurement can accelerate the transition by creating demand for circular products and services, thereby helping to create economies of scale. Making green public procurement (GPP) – a tool that favours products, services and works that respect the environment – mandatory is not enough. Circular procurement sets out an approach to GPP which pays special attention to what the European Commission states as, "the purchase of works, goods or services that seek to contribute to the closed energy and material loops within supply chains, whilst minimising, and in the best case avoiding, negative environmental impacts and waste creation across the whole life-cycle".⁴⁴

Supply chains for the fashion industry should also be simplified. [The Green Deal Circular Procurement](#), a deal led by Ecopreneur member MVO Nederland and several other public and private organisations from the Netherlands, involves a € 100 million commitment of circular investments from companies, municipalities and the government to pilot circular procurement, facilitating implementation and the removal of obstacles in regulation. Flanders, Paris and other regions are already following this example. This example highlights how circular procurement can boost the demand for circular products and services. The Netherlands Ministry of Defence and police force have switched to circular procurement of uniforms.

This not only prevents the annual incineration of old uniforms, but also save tens of millions of euros; the business case is already there.^{45,46}

A continued absence of commitment, visible from a lack of GPP by the European Commission, Parliament and member states, is a risk to a circular fashion future. It becomes clear that in order to overcome the complex challenges associated with generating revenues, a basic level of political commitment is needed. Finally, GPP and circular procurement would be greatly facilitated by a reform and simplification of the EU procurement rules.

Pillar 2.2: Extended Producer Responsibility (EPR)

Extended Producer Responsibility (EPR) is a strategy to add all of the environmental costs associated with a particular product's life cycle to the market price of that product.⁴⁷ These costs will have to be paid by the producer of the end product, typically the brand owner or the company that determines the specifications of the garment or footwear, either by producing it themselves or by procurement on price and specifications. While in need of further improvements, EPR is a proven policy in sectors such as packaging, electronics, tyres, cars and batteries.^{48,49}

Existing EPR schemes work because from all partners in the value cycle, the producer has a key position to change the product design to minimise waste. For the fashion industry, high EPR fees on garments lacking circular design and with high costs for waste management will reflect their true price and increase the demand for circular alternatives. An important aspect of EPR schemes is that they are private schemes backed by the government, in contrast to taxation, which is a government scheme. Provided good governance, this element of self-control allows industry to design tailor-made schemes fostering innovation.

France is the only country in the world implementing an extended producer responsibility (EPR) policy for end-of-use clothing, linen and shoes.⁵⁷ The French EPR organisation ECO-TLC has contributed to a threefold increase in the collection and recycling rates of post-consumer textiles (clothes, linens and footwear) since 2006. In addition, the material recovery rate of post-consumer textiles can reach 90 per cent, of which 50 per cent can be directly reused. ECO-TLC has created financial incentives for ecodesign specifically on using recycled content, including a 50 per cent discount for any product containing a minimum of 15 per cent recycled fibres sourced from post-consumer textiles.⁵⁰

This ‘bonus’ for companies working on increasing sustainability throughout the product life cycle is important for the transition to a circular fashion system. Companies can provide their own takeback system or contribute to collective recycling, thus ensuring that pioneering initiatives are not stifled by mandatory participation in a collective scheme. In addition, EPR also has the potential to generate private funding for activities supporting the transition, such as research or circular textile covenants. For ECO-TLC 70 per cent of the budget goes to sorting, 20 per cent to communication, and 10 per cent to research and innovation.⁵¹ For these reasons, EU recyclers’ and waste management federations are strongly advocating to step up the EU EPR policies, even if some individual SME recycling companies oppose it. In addition, by 2025 all EU member states are required to have separate collection for textiles, providing a secure input stream.⁵²

Despite these achievements and opportunities, there are several issues connected to EPR for the fashion and textiles industry:

- Sorting and recycling of textiles suffer from system cost and inefficiency. For instance, a technical solution is needed for cotton-polyester mixes.⁵¹ The current market for recyclable textiles and clothing are limited.

Advanced recycling technology is required to replace or complement inefficient mechanical recycling.⁵⁷ Without this, increasing collection will lead to bankruptcy of the EPR organisation. The waste will be eliminated because it accumulates and cannot be recycled.⁵¹ In addition, ensuring clean secondary raw materials is important for the industry to make the switch to the sourcing of recycled materials (as described in pillar one). Until solutions for textile sorting and recycling are found, EPR fees to stimulate recycling would have an adverse effect and only lead to the piling up of textile waste. For this reason, Euratex, the European Apparel and Textile Confederation representing a large fraction of European textile producers, is critical of EPR.⁵³ The R&D investments needed to improve recycling (in France) are estimated at € 20 million over a period of three years.⁵⁴

- An evaluation of the ECO-TLC system by the French General Council of the Environment and Sustainable Development (CGEDD) concludes collection rates are growing steadily but below the targets set. Sorting outlets respect the order of priority of the treatment methods but largely depend on the acceptance of the countries receiving the waste to be reused, and even though the costs remain moderate, the cost components remain unclear.

Public communication needs to be improved. Alternative schemes in other countries have produced better results. Recommendations to the French government to address these challenges include an option to either preserve the current structure of the EPR sector or to totally redesign its governance.⁵⁴

- WRAP concludes that the fee income collected as part of an EPR scheme such as ECO-TLC could be used in a range of ways to help the UK secure and develop textile waste prevention and landfill diversion. However, the fees might look quite different in the UK due to political priorities and a different starting position, with considerable collection achieved without EPR.⁵⁵
- The market for 'reuse', the most preferred option for textiles recovery, has been shrinking in the last few years. Its main market is in Africa, and a growing number of African countries are banning the import of used textiles to encourage a competitive textiles industry locally and internationally.⁵⁶ And in France there has been an increase in recycling at the expense of reuse.⁵¹ The quality of new clothing is becoming lower and the export of clothing is becoming more difficult.⁵⁷ Discovering new markets for 'reuse' and increasing second-hand clothing demand in Europe are challenging but critical.

- Companies investing in the circular economy are under the impression that they pay several times for everything. Cost calculation schemes are unclear, and they would like positive incentives rewarding their efforts and achievements.
- Verification poses operational issues as well and raises the questions of how the system verifies recycled content or ecodesign. It may be necessary to audit a company after it files for a 50 per cent discount on the fee, which raises further questions (amplified by e-commerce) as to how to trace and enforce these national EPR schemes on the international market.

EPR offers large opportunities for textile waste reduction by focusing on the most promising streams and on good practices in other sectors. This presents great potential to identify new markets for 'reuse' and to improve the textiles waste sector. Such an EPR policy also could drive societies to financially support innovation and research to provide feasible solutions for fashion producers to adopt ecodesign and design for recycling practices.⁵⁷

Moreover, where ecodesign regulation can effectively raise the bar in low-performing parts of the market (see below under pillar three), EPR has the unique potential to foster innovation in circular design for all companies by applying eco-modulation of fees to give a positive economic incentive.

On the other hand, the only existing EPR example for the fashion industry, the French ECO-TLC, struggles with fundamental issues which need to be solved before a roll-out in other member states becomes an option. The French governance of textile waste may be totally redesigned. Ecopreneur, therefore, recommends the fashion industry works towards realising a strong EPR system for textiles by 2030 by building on all available lessons and recommendations from other sectors and from France (see also Chapter 4.2).

Pillar 2.3: Tax shift from labour to resource use and environmental impact

The third major economic incentive to mainstream circular fashion is a tax shift from labour to resource use and environmental impact, as taxes influence purchase and investment decisions by consumers and businesses. Currently, tax revenue is raised largely on employment. In OECD countries, labour taxes account for 52.1 per cent of total public revenue raised, while green taxes account for only 5.3 per cent. There is some variation across continents; African, Asian, Latin American and Caribbean countries may rely more on taxes on goods and services. Nevertheless, labour taxes provide a significant share of revenues in all regions and substantially more than green taxes.⁵⁸

Circular business models tend to require innovation, customisation, more personal attention and customer service than the ‘business-as-usual’ selling of mass-produced goods. When environmental impact and primary resources are tax-free (or even subsidised) and labour costs are high, businesses face a barrier to scaling up their circular activities. As most studies on the circular economy conclude, reducing labour taxes and increasing green taxes will be key to achieving the circular ambitions set by governments and businesses.⁵⁸ Tax shifts thereby form a powerful instrument to make linear products and services more expensive. While any package of measures can and will not be budget-neutral for every sector and for consumers with different consumption quota, the goal is to reach a reasonable and fair effect across different income groups.⁵⁸

During the Circular Fashion Policy Lab, Femke Groothuis, President of The Ex’tax Project put forward the alignment of tax with the circular economy, a concept which proved an eye-opener to many. Ex’tax is an NGO that researches and advocates this tax shift with support of the four largest tax firms in the world and others including the OECD and the ACCA, the global body of professional accountants.

Ex’tax has developed tools that demonstrate the vast range of options available to governments to shift the tax burden, ranging from pricing carbon, water and fossil fuels to waste streams and pesticides.

The revenues in this model could be used to lower payroll taxes and personal income tax, and/or increase income support to low-income groups. Several large businesses including flooring company Interface, Dutch pension fund PGGM and business leaders such as Feike Sijbesma of Royal DSM are actively supporting the tax shift.^{59,60} Support from the fashion industry could be a game-changer for sustainable and inclusive business models.

The need for tax reform in general is becoming more apparent. Recent protests in France (the yellow vests movement) and other countries across the globe against rising fossil fuel prices show that environmental taxes can only be successfully introduced in combination with social policies, connecting social and environmental domains. Maybe this requires a new type of “New Green Deal”.

The political support for introducing a tax shift from labour to resource use and environmental impact is considerable and growing.

The Netherlands, for example, recently introduced a 3 per cent increase of the reduced VAT rate,⁶³ as well as an increase in tax on natural gas⁶⁴ and plans to price carbon emissions and air passengers,⁶⁵ in combination with income tax reductions and a reduction in employers' cost.⁶⁴ To further increase the support for tax shift measures, the increased tax on resources and decreased tax on labour should be introduced as a single measure with a net positive effect for consumers and workers as their combined effect.

Since tax is primarily a national instrument, starting with national action is the most promising approach. The major risk for introducing this is of course a potential lack of government commitment, which is why advocacy from major brands and stakeholders becomes crucial.

Pillar 2.4: Low VAT for circular products and services

VAT differentiation can, as part of a tax shift, play a role to accelerate circular fashion by 'nudging' consumers towards circular. This approach can be very effective, as evidenced by the plastic bag levy scheme. Furthermore, companies investing a lot in the circular economy keep asking for positive incentives, often starting with a low VAT.

FEAD, the European Federation representing the European waste management industry, welcomed the 2018 proposal from the European Commission to open up the EU VAT Directive.⁶⁵ Even under the current, restrictive EU VAT regime, there are already successful examples, such as a temporary low VAT for construction in the Netherlands, which resulted in 25 per cent more renovation projects, an extra turnover of € 2.6 billion, the saving of almost 20,000 jobs⁶⁶ and a French pilot with four consumer groups by Romain Ferrari. Several member states have implemented VAT reductions on minor repairs to movable goods, including Sweden (combined with an income tax reduction), France, Belgium and the Netherlands (RREUSE, 2017). This is interesting for the fashion sector since repair is an important circular option.

Unfortunately, the results on the effectiveness of this incentive are not yet known.⁶⁷ Italy is proposing a VAT differentiation as a key measure towards a circular economy (Italian Ministry of Environment and Ministry of Economy, 2018). The current VAT regime allows for VAT reductions provided "clearly defined social reasons", which is why RREUSE is actively lobbying in favour opening the VAT directive. Opening the EU VAT directive would present an opportunity to lower the VAT rates for circular products and services.

For reuse, especially for products such as clothes, the buyer has a cash flow advantage, as there is no VAT to finance at purchase. The buy-back transaction from consumer to business is not VAT-taxable, since private individuals are not VAT registered. Additionally, since the business pays no VAT on this purchase, no deduction rights are applicable in the transactions that follow. VAT applies not to the whole sales price but only to the gross margin (sales price minus buy-back price). This means that the VAT on the material resources included in the clothes is only paid once, and subsequent VAT is only applied to the added value created (the margin). It could be argued that because of the lower prices, the existence of this tax scheme may encourage consumers to buy second-hand goods.⁶⁷ Like for repair, this reselling incentive using the 'margin' scheme is possible even under the existing EU VAT regime (Luxembourg, Denmark, the Netherlands and the UK have implemented this VAT reduction).^{68,69,70}

Finally, lowering the VAT should apply during the transition only. When the VAT and tax shift begins showing an impact, further products and services will apply for the low VAT, thereby undermining the state's tax revenue. At this point, VAT reductions will have to be phased out, making way for a final, circular tax system based on resource and energy use (see also Chapter 2).

There are, however, certain complications relating to the lobby for VAT reduction for circular products:

- Establishing how the VAT can be used to differentiate otherwise identical products within a product (sub) group on the basis of circularity or sustainability, such as recycled content or the presence of and EU Ecolabel is still unclear. Such differentiation may be at odds with the internationally accepted 'principle of tax neutrality', which states that, "The full right to deduct input tax through the supply chain, except by the final consumer, ensures the neutrality of the tax, whatever the nature of the product, the structure of the distribution chain and the technical means used for its delivery".⁷¹ This might present a serious, international hurdle for giving positive price incentives reflecting the true price of products and services in all sectors, Ecopreneur and RREUSE are exploring different interpretations of this principle.
- It is highly uncertain if the proposal for opening the VAT Directive will be passed by the European Council. Decisions on tax matters require unanimity. The European Commission and Parliament have recently adopted a proposal to end the veto right for certain tax matters in the Council, but this was rejected upfront by Ireland.

Moreover, the majority of member states expressed a preference for keeping the veto right in a recent ECOFIN meeting.⁷²

- Ex'tax and Green Budget Europe (now part of the EEB) are not supporters of VAT differentiation on the basis of circularity. They focus on adding taxes to linear products to destabilise the current regime.

Ecopreneur advocates the European Council to reconsider the merits of the VAT rate proposal and to continue investigating majority voting on tax matters, to perform pilots to demonstrate the potential, to set up a dialogue with DG TAXUD and national ministries of finance and increase the advocacy support for VAT measures within the fashion industry.

The four incentives together, if properly implemented, will [create a business environment inviting all companies to deliver circular fashion products and services replacing linear ones](#). They can and should be designed in such a way to avoid a net extra burden on the tax payer.

The rates should reflect the environmental impacts over multiple life cycles. The SAC has already been working on [ecodesign and labelling](#)^{73,74} and can play a major role here by using the available data from the Higg Index.

Determining the rates of the financial incentives requires further work on quantifying external impacts. Therefore, it is important to continue the work done in the Product Environmental Footprint (PEF) pilot for products other than footwear and t-shirts. Ecopreneur advises the Circularity Check's⁴⁰ use of the Higg Index to check for completeness in its assessment of procurement, product delivery aspects, microplastics, biobased issues, locality and the use of renewable energy.

Furthermore, rates for apparel containing synthetic fibres should reflect their release of microplastics in the oceans. Those for natural and man-made fibres should include the impacts of land use change, such as deforestation or competition with food production and stay in the cycle at least as long as it takes for the biomass to re-grow. Crucially, the levies, taxes and bonuses should be high enough to shift the playing field and [slow down](#) the fashion cycle during the transition to a circular economy. This notion of slowing down fashion has been included in the Finnish program for circular fashion, which is built on the two program lines: 'servitisation' and 'sufficiency'. Sufficiency aims for the encouragement of effective resource use and solutions that actively seek to reduce consumption^{iv} and production, such as reductions in product use and societal education.

^{iv}Currently 11 kg/year per EU person.³¹

The business rationale behind these models is typically derived from premium pricing, consumer loyalty and gaining market share from better (longer lasting) products. In addition to demand management, co-creation and the use of excess capacity, other strategies like product longevity, consumer education and responsible product distribution can also promote 'sufficiency'.⁸³ Such actions are needed as long as the system still produces waste and is powered by fossil fuels. Only when the combined impact of a new policy framework has created the conditions for an economy with zero waste and powered by renewable energy, faster fashion cycles will be in line with a circular economy.

Finally, as a supportive policy to economic incentives, governments can further increase the demand for circular fashion and textiles by a government campaign creating consumer acceptance for alternative business models, textiles and garments.³¹

Pillar 3: Regulation

To enable the circular fashion economy, a general regulatory framework needs to be created to bring harmonised transparency and traceability, verification, and market surveillance in Europe. These boundary conditions can only be established by government policies.

The framework includes minimum requirements for circular design in the Ecodesign Directive, mandatory waste management requirements, and a ban on the use of intentionally added microplastics. To ensure effective operation of existing EU health, safety and environmental regulations.

Ecodesign policy has two sides: removing the worst materials and products from the market and fostering ecodesign. Common fundamentals include banning SHVCs, creating markets for alternatives and pushing innovation (see Pillar one).

First, use ecodesign policy to **ban very hazardous substances**. Ecopreneur is of the opinion that the list of SHVCs should include all substances identified under REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulation as SVHCs ('candidate list substances') or listed in Annex VI to the Classification, Labelling and Packaging (CLP) Regulation for classification of a chronic effect, substances prohibited under the Stockholm Convention (Persistent Organic Pollutants or POPs), specific substances restricted in articles listed in Annex XVII to REACH and specific substances regulated under specific sectorial/product legislation.

Ecopreneur advocates the EU to **step up the market surveillance in all member states including random, unannounced checks on the actual presence of SVHCs in imported goods, in combination with high fines for their presence above legal limits**. The fine revenues by each agency should be added to their budget for market surveillance.

In addition, **all SVHCs should be tracked by a set date**. To achieve this, sector-specific tracking solutions with information on relevant SVHCs should be available to all companies handling secondary raw materials in a form commensurate to what is required. The objective of EU regulation on SVHCs is to prevent their use in products on the EU market. The sooner companies stop using them, the sooner we can create an economy with clean circles. And the sooner companies converting waste into secondary raw materials, or using secondary raw materials, are informed about the presence of SVHCs in the input they receive, they can take measures to avoid them in the secondary raw materials used as input for products entering the EU market. In principle, all primary and secondary raw materials should be subject to the same rules.

If it is not possible or necessary from a product safety perspective, **the rules for primary materials may be derogated for secondary materials, but only under the following strict conditions**:

1. Decisions should be based on a sound cost-benefit impact and risk analysis including full multiple life cycle health, environmental, social and economic risks of both options. This means it should include the positive impact on CO₂ emission reduction at €100/CO_{2eq}, environment, and the net impact on jobs and the economy as well as the costs of health and environment risks for multiple life cycles and compared with the net total impact of incinerating the waste.
2. Modern Life Cycle Analysis that takes the end-of-life negative impact of waste in the environment such as ocean plastics into account.
3. In case of uncertainty about the risks, the precautionary principle should be invoked to implement appropriate, proportional measures.
4. The legacy materials are only used in products where it is guaranteed that the recycled material cannot be in physical contact with people or the environment during normal use, such as the inner section of a shoe sole that is surrounded by some other material.
5. The products are guaranteed to be disassembled after use in a way that prevents the legacy material to come into contact with people or the environment after use.
6. The part of the product containing the legacy materials will be recycled in a controlled way preventing hazardous contact in next cycles (this condition is not often met).

7. A regular, short period review and automatic transition to the rules for primary materials as soon as these strict conditions are not met.

According to Ecopreneur, goods imported into the EU should be managed in the same way as goods traded within the EU. To prevent the import of goods containing unregistered SVHCs, with unreliable paper trails, [increased market surveillance of imported goods](#) is also urgently needed.

According to Ecopreneur, the focus of EU regulation for circular fashion should be on product requirements (all fashion products on the EU markets should be safe), and less on waste requirements for secondary materials. Banning specific products will be more difficult since it requires agreement on criteria for the worst apparel products on the market. Production, social and circular requirements need to be specified. But it is possible; the European Commission has already implemented ecodesign measures with minimum requirements for 20 energy intensive product groups and for single-use plastics. This policy works well to raise the bar in low-performing parts of the market.

Horizontal measures are also considered, such as extended warranty periods. Ecodesign regulation for circularity should include the whole life cycle.

When the framework leads to real market traction for circular products, ecodesign will also be integrated in production. In addition to price incentives using EPR, fostering ecodesign can be best obtained by creating markets for circular products and services using something like an energy label. Again, like with price incentives, applying the Higg Index can play a major role here to support regulation.

Harmonisation of labels will not solve the problem, but it would help brand owners. All applying for green products should have footprint labelling to avoid greenwashing. Ecopreneur recommends the launch of a new Product Environmental Footprint pilot based on the outcome of the footwear footprint by the SAC and FESI.

A risk for the fashion industry is that ecodesign measures will lead to high additional costs for products that are currently cheap because they exploit external societal costs. The need for traceability can also lead to substantial extra administrative costs. Verification will be difficult and market surveillance is currently a problem. These are issues that will have to be dealt with, as they are a risk to eco-innovation and a strategy for long-term survival of the company.

Regulations for apparel waste should also be further improved.

End-of-waste status should be achieved as a result of an ex-ante decision by a member state competent authority (i.e. permit). This creates a level playing field, ideally at the EU level. If no EU-wide end-of-waste criteria exist, the member state should define and enforce national end-of-waste status criteria. In addition, apparel waste should be classified by considering the bioavailability and concentrations of substances it contains.

National advocacy can direct a ban on landfilling of non-biodegradable textiles or on incinerating textiles¹⁰ – although for textile waste incineration, an increased tax is just as effective and easier to implement (see Pillar 2). The main hurdle for introducing the regulations described will most likely be resistance from fashion industry brands, companies and other stakeholders against the introduction of minimum requirements for the circular design of products. Again, advocacy for identified solutions can make a difference, especially if supported by major brands.

Finally, advocacy by workers and their communities needs to be facilitated by civil society (and potentially government or private) actors to demand that governments implement and uphold legislation that respects their rights and benefits their communities, not only at national and regional levels, but also at the international level.¹⁰

This goes beyond the scope of this report, but is essential to building a social and inclusive circular fashion economy.

Pillar 4: Trade policies

The Circular Fashion Policy Lab identified trade policies as a separate pillar for creating a circular fashion economy. As a recent OECD report⁷⁵ states, “A transition towards a more resource efficient and circular economy has broad linkages with international trade... The circular economy transition will likely introduce structural changes to the economy and may have potential impacts on trade flows. Import and export demand for primary materials, secondary materials and waste may decrease in certain economies... . It is important to ensure the mutual supportiveness of circular economy policies and trade policies. Trade can provide potential opportunities towards a global circular economy by channelling waste and materials to destinations where there is comparative advantage in sorting and processing these materials. Therefore, unnecessary trade barriers such as import and export restrictions on waste and scrap should be avoided to the extent possible. However, these benefits should not be at the expense of environmental consequences.”

Introducing a tax shift in the EU is expected to impact trade. Trade itself could also be taxed on the use of natural resources. Trade barriers do indeed exist for shipping post-consumer textiles waste, including semi-finished products such as clean fibres, clippings and sorted textile residues to producing countries such as India.⁷⁶ They are considered as waste and face an anti-dumping policy. [Removing these barriers would enable these countries to produce apparel from secondary materials returning to them from the EU after use.](#) At the same time, the risk of creating negative social impacts in producing countries should be weighed against the extra CO₂ emissions from transporting textile waste across the globe. Producing countries have anti-dumping policies for a reason. When their economies grow and shift to a circular system, they are bound to collect their own sufficient supply of reusable textile waste. From the point of view of circularity, locality is good; local or regional waste management is to be preferred when this is possible at high quality and cost efficiency.

Recent calculations in the new Earth-3 model from the Stockholm Research Centre suggest that textile producing countries such as India, China, and emerging economies face increasing production and consumption against a decreasing trend in the US and the EU (rich countries) between now and 2050.

Figure 4 shows the calculated ecological footprint per person as a proxy for sustainable production and consumption (Social Development Goal 12). While considerable regional shifts occur, the total global footprint per person stays almost the same. Since these calculations reflect 'Business as Usual', outcomes can be different if the EU transitions to a circular fashion economy. The result suggests that in the long term, the EU may focus on their own fashion industry rather than producing countries, which would mean trade would be reduced. Ecopreneur is currently investigating the potential impact of an EU circular fashion economy on non-EU producing countries. As previously stated, any switch from cotton to alternative fibres with a lower environmental impact need accompanying measures to avoid social conflicts, poverty and civil unrest in producing countries.³¹

Finally, as producing countries realise circular trade policies and become less dependent on the EU, there is a risk that they will extend their anti-dumping policies. This would mean that the EU increasingly has to manage its own apparel waste.

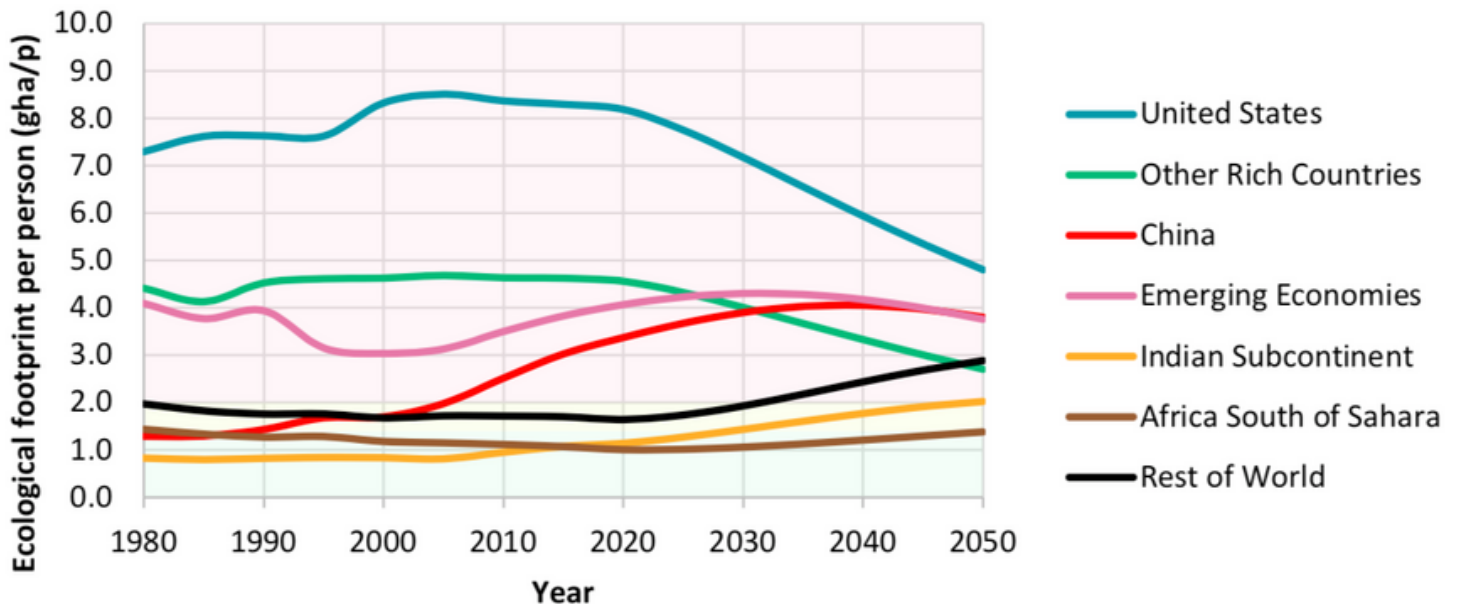


Figure 4: Ecological footprint per person as a proxy for sustainable production and consumption (SDG 12) in Scenario 1, Business as Usual with the Earth-3 Model. Source: Randers, 2018⁷⁷

Pillar 5: Voluntary actions

In addition to the previous pillars, voluntary actions and approaches should also be pursued. They can exceed legislation by forming a 'step ahead', be implemented faster than regulations and engage stakeholders in the transition.

For instance, the Dutch Agreement on Sustainable Garments and Textile⁷⁸ and the German Partnership for Sustainable Textiles⁷⁹ are voluntary agreements between a considerable part of the national textile and apparel industry and the national government with a roadmap to take more responsibility for sustainability in their own supply chain.

In Germany, the annual Roadmaps demonstrate how they handle the work to improve fair wages, environmental protection and working conditions, as well as preventing pollution and promoting animal welfare in production countries. The creation of a Roadmap is binding to all members. Next year, they must report on the achievement of their defined targets. In the Dutch initiative, the businesses and organisations that sign the agreement commit themselves to fighting discrimination, child labour and forced labour. They undertake to support a living wage, health and safety standards for workers and the right of independent trade unions to negotiate.

In addition, they work to reduce the negative impact of their activities on the environment, prevent animal abuse, reduce the amount of water, energy and chemicals that they use and to produce less chemical waste and waste water.

In the UK, the Sustainable Cotton Action Plan footprint results per tonne of garments are 12 per cent for carbon (cf. 15 per cent target), 18 per cent for water (cf. 15 per cent target) and 1.1 per cent for waste (cf. 3.5 per cent target in 2020).⁸⁰ Finally, in a related global action, under the auspices of UN Climate Change, leading fashion brands, retailers, supplier organisations and others, including a major shipping company, have agreed to collectively address the climate impact of the fashion sector across its entire value chain.⁸¹

Ecopreneur is in favour of encouraging voluntary actions provided they meet the following requirements:

- Restrict discussions about definitions and focus on concrete measures based on a shared vision and formulating an action plan with outputs, results and impacts.
- National initiatives should be closely aligned, e.g. using the same criteria for entrance into the consortium and for measuring results.
- Make sure they have ambitious targets, binding commitments, tight deadlines, a monitoring process and a parallel policy trajectory to develop regulations that can be invoked as soon as these approaches fail to do the job. Experience shows that voluntary agreements tend to be invoked by industry to prevent legislation that would force them to innovate and replace it by a covenant with targets that can easily be met. The recent commitments by major users of single-use plastics show that industry can in fact make ambitious pledges when faced with even more ambitious legislation in the absence of results.⁸² A lack of political and regulatory pressure on producing results is the major risk for successful voluntary initiatives.
- Work with the European and international standards organisations on standards for circular fashion.

In conclusion, Table 1 on page 49 shows an overview of considerations for six of the measures discussed in this section, namely the incentives (pillar two), ecodesign (pillar three), trade (pillar four) and the general framework (containing 'regulation' elements of pillar three). See Table 3 on page 58 for a timetable for innovation measures (pillar one) and voluntary actions (pillar five).

	EPR	Tax Shift	VAT	Ecodesign	Procurement	Trade	General
What role can the measure play?	<ul style="list-style-type: none"> – Increase recycling, eco-design and eco-innovation – Finance covenants – Systems change if eco-design included 	<ul style="list-style-type: none"> – Systems change – Increase prosperity 	<ul style="list-style-type: none"> – Nudge consumers towards circular products and services 	<ul style="list-style-type: none"> – Ban the most hazardous substances and worst products – Foster ecodesign 	<ul style="list-style-type: none"> – Increase demand for circular work wear – Create economies of scale 	<ul style="list-style-type: none"> – Facilitate production using recycled materials in producing countries 	<ul style="list-style-type: none"> – Contribute to systems change – Analyse scale of the opportunity – Create a complete policy mix
What are the opportunities for brands and retailers?	<ul style="list-style-type: none"> – Reduced costs from virgin – A stable source of raw materials 	<ul style="list-style-type: none"> – Reduced costs from labour – Better business case for circular 	<ul style="list-style-type: none"> – Better business case for circular 	<ul style="list-style-type: none"> – Less competition from cheap, low-quality products 	<ul style="list-style-type: none"> – Better business case for circular 	<ul style="list-style-type: none"> – Create take-back and recycling systems including producing countries 	<ul style="list-style-type: none"> – Innovation – Long-term survival – Higher margins – New markets – Motivated staff
How could it be implemented in the apparel sector to bring real systemic change?	<ul style="list-style-type: none"> – Focus on good practices, high potential streams and recycling – Prevent a "right to pollute" 	<ul style="list-style-type: none"> – National, EU, global – Increase communication 	<ul style="list-style-type: none"> – Combine with lower labour tax 	<ul style="list-style-type: none"> – Introduce a footprint label – Extensive analyses – Give business time to adapt – Lead by example 	<ul style="list-style-type: none"> – Raise the bar – Define ambitions per product – Introduce TCO and life cycle costing 	<ul style="list-style-type: none"> – Remove existing barriers to the cross-border trade of post-consumer waste, including semi-finished products such as clean fibres, clippings and sorted textile residues, which are considered as waste by several producing countries 	<ul style="list-style-type: none"> – Agree on a definition of a circular fashion product / service – Ensure clean secondary raw materials – Explore the use of planetary boundaries and science-based targets
What are risks for brands and retailers?	<ul style="list-style-type: none"> – Loss of USP and incentive for pioneers already collecting – Extra costs: the fees 	<ul style="list-style-type: none"> – Lower margin on polluting products – Stop & go policies 	<ul style="list-style-type: none"> – Extra costs due to slightly higher VAT level – More complexity 	<ul style="list-style-type: none"> – Costs of traceability – Ban on worst products 			<ul style="list-style-type: none"> – Loss of sales – Extra costs
What could be a good policy objective/ advocacy message?	<ul style="list-style-type: none"> – Introduce ecodesign incentives – Major opportunity: scalable, brings up the laggards, stimulates eco-design and reduces export of textile waste 	<ul style="list-style-type: none"> – Start nationally and combine with lower labour tax – Advantages for society in general: more jobs, good for the economy, innovation and the environment – Ensure economic development of less developed countries 	<ul style="list-style-type: none"> – Open up the EU VAT directive by adopting Commission proposal – Start pilots including lower VAT (and maybe income tax) – Part of the tax shift 	<ul style="list-style-type: none"> – EU to launch the discussion – Start with substances, then with products – Work towards harmonised labels 	<ul style="list-style-type: none"> – Make public procurement mandatory – The Commission launching a massive training program 	<ul style="list-style-type: none"> – Remove existing barriers to the cross-border trade of secondary textile materials to producing countries 	<ul style="list-style-type: none"> – EU move first – Create EU harmonised transparency and traceability, verification and market surveillance – Minimise administration – Facilitate substitution of chemicals – Debunk myths about chemicals
Who else should be engaged?	Logistics, consumers, municipalities, FESI, Euratex, I:CO, SAC	I-did.nl, developing companies, EBCA	Tax experts, EBCA	SAC, FESI, ZDHC	HAVEP	Trade experts, EBCA	SAC, Euratex

Table 1 – Overview for six of the policy instruments and general framework – for innovation and voluntary actions see Table 3 on page 58

4.2 Circular advocacy messages for the fashion industry

Leading companies in the fashion industry should address aspects of the current system that need to be phased out. Together with relevant stakeholders (see 4.3) and based on a shared vision of circular fashion as set out here, they need to propagate a shared agenda for government intervention in production and consumption countries in order to change the ‘rules of the game’ and halt the race to the bottom.

Specifically, the fashion industry should advocate changes in the pricing and taxation of labour and natural resources, the free production of externalities and policies that encourage a linear production model.¹⁰ Policy-makers can then play their role by creating and enforcing binding legislation to phase out these issues.

This requires an advocacy agenda and timetable for concerted action (see 4.3). The following section describes the most important recommendations in advocacy messages. To advocate the policy mix described in Section 4.1, Ecopreneur recommends that further work be done to communicate the following advocacy messages and actions for the sector.

Overall:

- Let the EU move first to create a circular fashion economy. It forms a huge opportunity, both for Europe and globally.
- Circular fashion can make a large contribution to jobs and growth, the Climate Goals, the Sustainable Development Goals and reducing ocean plastics provided sufficient investments are made – all to be quantified by new studies by the advocacy actors (see section 4.3)

On EU innovation policies:

- Increase (by at least double) the budgets for circular fashion and textiles programmes, including two flagship projects backed the European Commission on textile recycling and preventing microplastics release.
- Subsidies for chemical recycling should be restricted to processes with net positive CO₂ emissions compared to virgin textile production.
- More EU and member states’ government support for circular fashion and textiles is needed to facilitate the replacement of hazardous chemicals with safer ones,

facilitate collaboration between industries and within value chains (e.g. to find markets for recycling), investment tax reductions, the sharing economy and servitisation for fashion,⁸³ SME support, circular fashion policy research and training for the finance sector to implement natural capital approaches.

- The subsidy schemes should be more user-friendly.
- Analyse the scale of the opportunity and investments needed, as has been done for other sectors.⁷
- Emphasise the need for a stable, long-term regulatory framework to improve the investment climate in the EU with respect to Asia and the USA.⁸⁴

On Circular Procurement:

- Advocate all member states to launch a Green Deal Circular Procurement including fashion, following the successful Dutch and Flemish examples.
- Make the European Commission, Parliament and Council lead by example with circular procurement across the board.

On EPR:

- Work towards realising a strong EPR system for textiles by 2030 by building on all available lessons and recommendations from the OECD,⁴⁸ EY,^{49,50} WRAP,⁵⁵ Ecopreneur⁸⁵ and the French CGEDD,⁵⁴ and ECO-TLC.⁵¹

Let the market decide which route to take and encourage EPR as an example for all EU member states.

- Include positive incentives for waste prevention, such as a 50 per cent fee discount on the basis of the level of circular design (eco-modulation of fees), but beware of incentivising recycling before technical solutions are in place.
- Solve the issues of textile waste sorting and recycling, reuse markets and verification.
- Advocate mandatory, harmonised schemes for fashion. Especially, ensure that harmonised criteria are established and applied consistently across the EU, including calculation schemes for the height of levies. In general, scopes, fees and calculation modes often vary from one country to another, and in many cases without information on the fee calculation. The criteria should be able to determine which product or service is (more) circular.⁸⁵ The revised Waste Framework Directive (WFD)⁸⁶ provides for the development of EU guidelines for EPR that can contribute to this, but this measure is not good enough since it depends on voluntary implementation.
- Feed into the upcoming European Commission study on EU Guidelines for EPR (already announced in 2018) with the fashion sector's recommendations.

On the Tax Shift and VAT:

- Major companies advocate a coordinated tax shift in European member states from labour to resource use, starting with a lower labour tax in combination with higher tax on the use of fossil fuels, water, pesticides and apparel waste incineration.
- Ask all member states to implement a low VAT tariff for repair and reselling activities including fashion. Advocate the end to the current veto right for member states when deciding on VAT matters. When it is opened, advocate a low VAT tariff for fashion sharing, rental and leasing models and for fashion products with an Ecolabel.⁸⁷ If the Higg Index or new results from Product Environmental Footprints can be used to create a superior label for fashion products, this new label could also be linked to a lower VAT.

On regulation:

- Work with the European Commission to create a general regulatory framework for fashion to ban SVHCs, agree on minimum requirements for ecodesign of fashion products, bring harmonised transparency and traceability, develop a verification system and step up market surveillance while keeping low administrative costs.
- Investigate if the Higg Index can be applied to all fashion products and services as a measure of their environmental impact.

On trade:

- Removing existing barriers for shipping post-consumer waste, including semi-finished products such as clean fibres, clippings and sorted textile residues to producing countries such as India.

On voluntary actions:

- Encourage voluntary actions provided they are closely aligned with ambitious targets, binding commitments, tight deadlines, a monitoring process and a parallel policy trajectory to develop regulations that can be invoked as soon as the initiative fails to do the job.
- Work with the European and international standards organisations on standards for circular fashion.

If, when and to what extent leading brand owners, the textile industry and other fashion stakeholders will adhere to this advocacy is still a big question. As long as they perceive that the measures proposed could add complexity and increase costs, they will continue to resist them. Until then, pressure from the public, civil society, governments and legislation will need to be applied. The following section explores how stakeholders can advocate for circular fashion, with or without wider support from the fashion industry.

”

Due to fast rising prices for virgin cotton, soon the race for cotton clippings will start. This ‘battle of the fibres’ will accelerate the circular economy in fashion.”

— Michiel van Yperen

4.3 Advocacy actors and timetable

Delivering these advocacy messages to have the desired impact requires a plan for concerted actions by many stakeholders. The core of advocacy and lobbying is to deliver the right message, at the right time and at the right table. In the policy development process for a specific textile waste regulation, for instance, it is important to identify the key stakeholders and then contact them with relevant comments on the proposal, or a short text that can be used to ask for an amendment.

This requires the upfront formulation of positions on relevant issues backed by the constituency of the advocacy organisation, a good network with policy-makers and stakeholders and rapid action when it matters. Depending on the nature of the intervention, press coverage can also be beneficial, especially when taking into account the political context. Public opinion is not cast in stone. Social circumstances change. As a result, advocates from organisations need to develop strong and sensitive antennae, remain alert and adaptable so they can respond to unfolding events and use their toolboxes of interventions. This often means deploying different strategies, players and roles. In other words, a civil society organisation needs to be flexible, agile and skilful to influence policy effectively.⁸⁸

The agenda of messages developed in section 4.2 forms a timetable in case of a progressive European Parliament after the elections of May 2019. However, in case of a clear shift towards populism, the focus of the advocacy messages delivered needs to shift to the issue of climate change, which is now shared by many European voters and requires the shift to a circular economy. The rest of this Chapter assumes a progressive European Parliament.

Table 2 lists some of the most influential organisations currently engaged in the EU policy debate about circular fashion with their (potential) role, starting with the most influential and progressive organisations according to Ecopreneur, with the last four listed powerful stakeholders on the receiving end.

CHAPTER 4

Organisation	(Potential) role
European Environmental Bureau (EEB)	Driving the circular economy advocacy agenda with lobby in the Parliament and media, in new alliances with NGOs such as the Fashion Revolution and the Clean Clothes Campaign
Ellen MacArthur Foundation (EMF)	Very influential and committed to accelerating the circular economy. Their Circular 100 Governments & Cities Programme offers an opportunity to link this advocacy agenda with national and regional policy makers. Their advocacy is mostly limited to reporting about opportunities, obstacles and policy options.
Zero Waste Europe	Driving the agenda on textile waste, especially in the media, in connection with the Rethink Plastics Alliance which is part of the global Break Free From Plastic movement.
ECOS	Driving the agenda on eco-design, especially lobbying the Commission, Parliament and media
RREUSE	Driving the agenda on reuse, including apparel and textiles
Ecopreneur.eu	Supporting the lobby for the entire agenda described in this report
Circle Economy	Contacts with the Commission about opportunities and obstacles – no lobby for specific policies
Sustainable Apparel Coalition (SAC)	Driving circular economy fashion advocacy, in partnership with FESI and GFA, providing data from the Higg Index and presenting how it enables environmental policy goals
Federation of the European Sporting goods Industry (FESI)	Driving circular economy fashion advocacy, in partnership with SAC and GFA, for the outdoor apparel and footwear industry
IEEP, CEPS	Independent policy research institutes able to produce forward-looking reports supporting the advocacy described here
Ex'tax	Driving advocacy on tax shift
Global Fashion Agenda (GFA)	Coordinating the advocacy for circular fashion, in partnership with SAC and FESI
Brand owners	Supporting this advocacy agenda as much as they can
Modint	Bring in the Dutch frontrunner's perspective
ZDHC, Chemsec	Working out the chemical aspects of this agenda and leading advocacy on this
Sustainable textile & fashion companies	Showing how green business can be profitable and supporting this advocacy agenda
Alliance for Cities and Regions (ACR+)	Making the link with cities and municipalities concerning public procurement, fashion waste management and regional 'hubs' for circularity
Euratex	Internal discussions with their members about this advocacy agenda, especially concerning their support for price incentives including EPR
EBCA	The European Branded Clothing Alliance could develop a position on circular fashion based on this advocacy agenda
EuRIC & FEAD	The umbrella organisation for the recycling industries in Europe (EuRIC) and the European Federation representing the European waste management industry (FEAD) are allies in the lobby for recycling. N.B. FEAD is also actively lobbying for incineration of residual waste
Most powerful stakeholders on the receiving end:	
European Commission	Making circular economy a priority for the next five years; acknowledging textiles as a priority sector; working towards a strategy paper on circular textiles; continuing to drive the transition within the political constraints of the next European Commission
European Parliament	Depending on the outcome of the elections, continuing to drive the transition or become more critical. In the latter case, they may still support the circular economy to mitigate climate change and ocean plastics
European Council	Depending on the outcome of national elections and on the impact of national circular "hubs" demonstrating the economic value of the circular economy
BusinessEurope	Supporting circular economy as a priority for the next European Commission, showcase good practices, but lobbying against almost this entire advocacy agenda

Table 2. Overview of some of the most relevant stakeholders to deliver an EU circular fashion advocacy strategy and their (potential) role, with the last four listed powerful stakeholders on the receiving end. Source: Ecopreneur.eu

Some of these organisations, such as ECOS and the European Commission, are focused on circular economy in general and not yet on fashion, and they are assumed to transfer their current position on circular economy to fashion when it arrives on their agenda. Some require a brief explanation. Arguably the most powerful stakeholder advocating the circular economy is the European Environmental Bureau (E.E.B.). Zero Waste Europe is also influential but focuses on waste. Both have at least one project in fashion textile. The SAC has in fact not been active in EU advocacy on the topic of the circular fashion economy, but have jumped on the opportunity to do so since 2018, based on their positive experience with a Product Environmental Footprint with FESI. Likewise, the Global Fashion Agenda has taken on the role of coordinating a circular fashion policy dialogue. These three organisations collaborate on advocacy. The powerful lobby organisation BusinessEurope supports the circular economy as a priority for the next European Commission and has opened a portal of best practices including 26 from the textile and fashion industry.⁸⁹ From the agenda set out in this report, they will currently only support the pillars for innovation and voluntary action. Since they resist price incentives and ecodesign regulation, their current net impact is still to effectively decelerate the transition, but this may change over time.

While the Council is in favour of the transition to a circular economy and has adopted several important new regulations to foster it, it has in fact blocked many ambitious proposals over the past five years. The European Commission and Parliament have been much more progressive, especially since in 2015 DG GROW acknowledged the huge potential for jobs and economic growth. EU Commission Vice Presidents Timmermans and Katainen and EU Commissioner Vella have driven the agenda with fervour. The European Parliament consistently supported their proposals, often strengthening them and making them even more ambitious in expectation of the watering down by the negotiations with the Council – although in some cases the Council actually strengthened the final proposal.

The impact of these powerful actors primarily depends on:

- their level of funding to spend time on the advocacy, go to meetings, meet with MEPs, including writing statements, letters, media campaigns, position papers, amendments for regulation, etc. This means that there is a role for funders of advocacy to increase ‘rebellion capacity’ on the topic of circular fashion;¹⁰
- coordination between their actions; and
- the political climate in Brussels after the May 2019 elections.

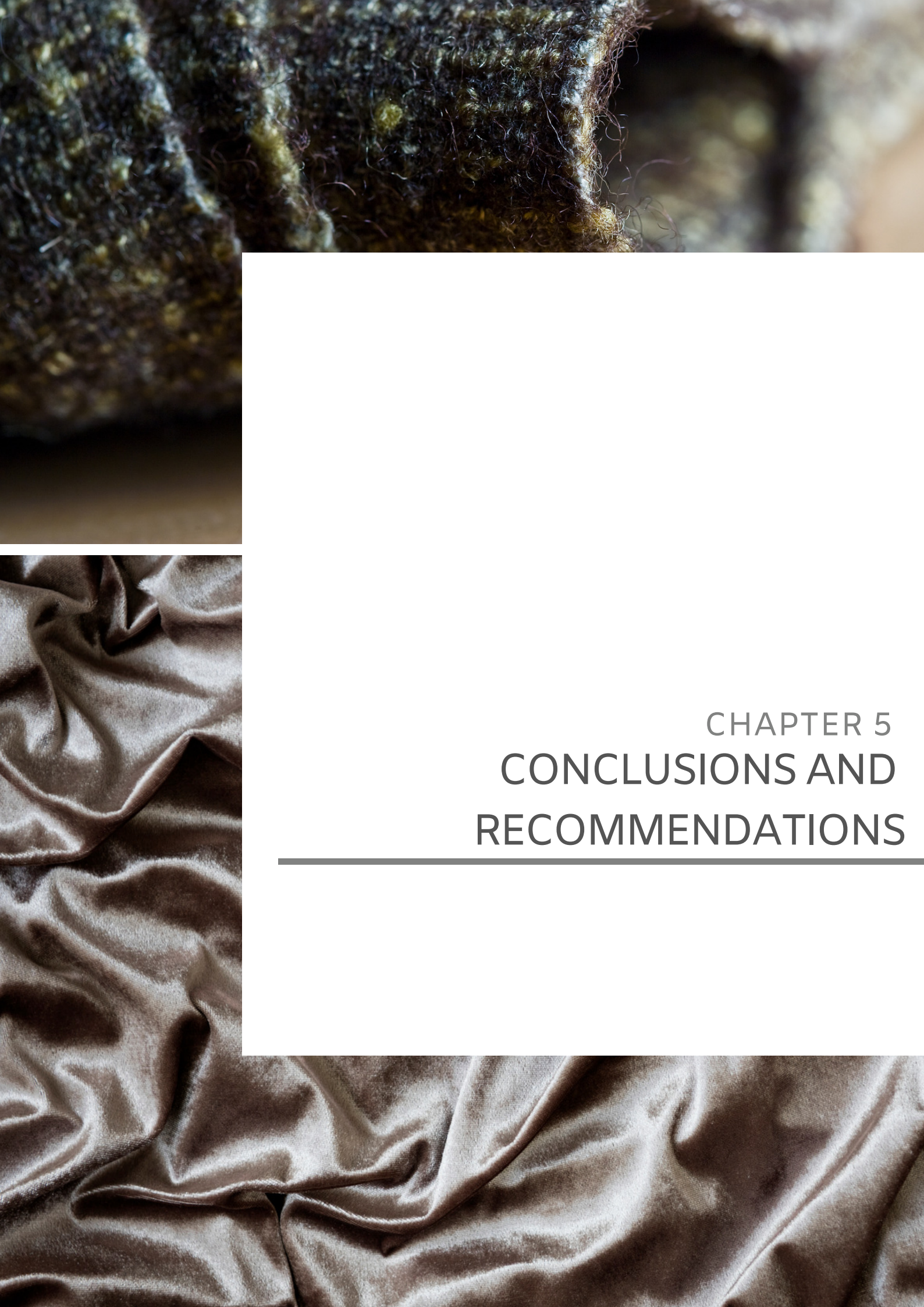
Therefore, it will still take several years before circular fashion will take off from a niche into the mainstream. But, with enough pressure from the landscape level, the current linear system will eventually destabilise. At this point, if there are enough tried and tested alternatives, system actors can reach out and adopt these to avoid collapse. It is in the best long-term interest of all actors to work on accelerating niches.

Taken [in general](#), the five advocacy pillars explored in this report can contribute to systemic change.

Table 3 on page 58 presents an ideal advocacy timetable showing an order of parallel advocacy actions between 2019 and 2030, when all policy measures should be fully implemented. This table should not be viewed as blueprint because political and global events on a ten-year timescale are unpredictable. Rather, it is meant to be used to guide actions and adjusted according to occurring political opportunities and obstacles. The more of this agenda is realised before 2030, the higher the chances that we stay within the planetary boundaries and can achieve a circular and social fashion system by 2050.

Advocacy timetable	Pillar 1 Innovation	Pillar 2. Incentives EPR	Tax Shift	VAT	Procurement	Pillar 3 Regulation	Pillar 4 Trade	Pillar 5 Voluntary
2019	General – EC paper on circular textiles – Calls from existing EU innovation programmes; – Start new EC							
Discussions and studies to specify sector recommendations								
2020	Start of first projects + Circular Fashion Programme I to develop textile recycling and microplastics prevention Projects	Advocate EPR recommendations including eco-modulation, EC proposal published	Advocate tax recommendations for fossil fuels, water, pesticides and waste incineration; start tour among member states	Advocate sector recommendations on VAT	Advocate sector recommendations on circular procurement; make EU walk the talk; start tour among member states	Advocate sector recommendations on circular design minimum requirements; start reform Ecodesign directive;	Advocate sector recommendations on trade policies	Advocate sector recommendations on voluntary actions; work on ISO standards for textile
2021		EPR recommendations adopted by EU	Tax voting system reformed; leading countries start joint tax reform initiative	Leading countries start joint tax reform initiative; EP VAT proposal adopted	Initiate Green Deals Circular Procurement in member states	Ecodesign directive reform; work towards harmonized labels	Diplomacy	Foster voluntary actions; EC develops "backup" regulation
2022	Facilitate substitution of chemicals	Implementation starts	Start pilots in leading member states	Start VAT pilots in leading member states	Launch massive EU-wide training programme	Ecodesign reform, new PEF projects		Evaluate voluntary actions
2023		New EPR rules implemented in EU member states, starting with eco-modulation	Plots in leading member states	VAT pilots in leading member states	Work out procurement process and criteria	Create digital transparency along the value chain	New trade policies with producing countries implemented	EC adopts and implements regulation in case of lacking results
2024	Electoral; start new EC	Upscaling	Evaluation and recommendations to EU and all EU member states	Evaluation and recommendations to EU and all EU member states	Make public circular procurement mandatory	Further reform		
2025		Large-scale implementation of solutions + Start Circular Fashion Programme II	EC Proposal for EU tax shift measures	EC Proposal for EU VAT measures	Introduce TCO and life cycle costing	Implement EU harmonised transparency and traceability, verification and market surveillance		
2026		Implementation	Adoption EU tax shift measures	Adoption EU VAT measures	Further rollout			
2027	Serious CO ₂ pricing expected ¹⁵	Implementation	Implementation tax shift in all member states	Implementation VAT measures in all member states		Circular design rules for all end products fully implemented		
2030	"Netherlands 50% circular"	Recycling and Microplastics solutions fully implemented	Tax shift fully implemented	Circular VAT differentiation fully implemented	Circular procurement mandatory and fully implemented	Circular regulatory framework fully implemented		

Table 3. Advocacy timetable showing an idealised order of parallel advocacy actions between 2019 and 2030, meant to guide actions and be adjusted according to occurring political opportunities and obstacles - not as a blueprint.



CHAPTER 5
CONCLUSIONS AND
RECOMMENDATIONS

Advocacy is a powerful lever towards a circular fashion economy. By designing and implementing a coordinated advocacy strategy with relevant stakeholders, EU policies can be effectively influenced to form a legal framework creating a circular ‘level’ playing field that accelerates circular fashion business models while destabilising the current, linear ones. Creating a circular economy will not only serve to solve the urgent problems of pollution, resource extraction and waste but also forms a huge economic opportunity estimated by Eurochambres at €161 billion.⁷

An adequate set of policy instruments to accelerate and mainstream circular fashion should be based on the following [five pillars for a circular fashion economy](#):

1 [Innovation policies](#) – intensified programmes with subsidies for research, technological development and innovation, SME support and investment tax reductions. The focus needs to be on solving the issues of textile recycling, preventing microplastic release, calculating the external impacts along multiple lifecycles and the corresponding levies or taxes (see pillar 2) for all fashion products. From an advocacy perspective, the relevance of government subsidies is also crucial to engage the potential ‘losers’ of the circular economy. Subsidies for chemical recycling should be restricted to processes with net positive CO₂ emissions compared to virgin textile production.

2 [Economic incentives](#) – procurement, Extended Producer Responsibility (EPR), tax shift, and VAT. The lack of demand for circular products and services at their current price level forms the number one hurdle for implementing circular business models. Incentives are needed for industry to develop and implement circular business models and for consumers to buy circular products and services. Positive incentives, like circular procurement, eco-modulation of EPR fees for end product producers and the introduction of a low VAT for consumers, are needed to foster the small community of companies already investing in circular solutions. These incentives should be introduced immediately to foster circular design and need to be strong enough to have an impact. Start with launching a Green Deal for circular procurement of fashion products. In parallel, work towards realising a strong EPR system for textiles by 2030 by building on all available lessons and recommendations from other sectors^{49,50,85} and the French example.⁵¹

Negative price incentives are necessary to reduce the business case for linear business models by introducing true prices. To prevent the accumulation of unrecyclable textile waste, these taxes, fees and levies can only be fully implemented after solutions for textile recycling have been developed and can be implemented. If properly designed, the incentive system will foster fashion servitisation and 'sufficiency'. The levies, taxes and bonuses should be high enough to shift the playing field and slow down the fashion cycle during the transition. They should reflect the impact of microplastics release and biomass sourcing. By providing data from the Higg Index, the Sustainable Apparel Coalition's (SAC) can play an important supporting role – just as it could for pillar three.

3

Regulation – creating a general regulatory framework that creates harmonised transparency and traceability, minimum requirements for circular design and improved end-of-waste status in Europe. This includes a ban of SVHCs, landfilling of non- biodegradable textiles, an increased tax or ban on incineration of reusable textile waste, tracking of SVHCs by a set date, increased market surveillance combined with high fines and secondary materials following the rules for primary ones except under strict conditions.

4

Trade policies – adapting the waste definition for export to producing countries of semi-finished products such as clean fibres, clippings and sorted textile residues and other reusable post-consumer waste fractions. Trade patterns will change. Negative social impacts in producing countries should be avoided, but are expected to decrease with their growing economy. Waste transport across the globe should be minimised.

5

Voluntary actions – covenants, commitments and standards should be encouraged when they help to exceed legislation, form a 'step ahead' and engage stakeholders in the transition. They should take concrete measures, have ambitious targets, binding commitments, tight deadlines, a monitoring process and a parallel policy trajectory to develop regulations that can be invoked as soon as these approaches fail to do the job. National actions should be aligned with initiatives in other member states.

Together these measures will foster circular products and services by creating new technologies, increasing demand, modernising regulation, facilitating trade and encouraging voluntary actions. They will also drive eco-innovation by increasing the price and costs for many fashion products that exploit external societal costs.

To influence EU policies to implement these measures, Ecopreneur recommends to further develop the optimal policy mix⁹² and communicate the messages and actions listed in this report into a detailed strategy for the sector's advocacy in a concerted action. The creation of a Circular Fashion Policy Lab could continue to guide the advocacy in a continuous learning process. Building on existing activities, a key role for C&A Foundation and other philanthropic organisations would be to jointly build sufficient capacity for key non-profit organisations (NGOs) to play their part in developing and delivering the advocacy messages at the right time, at the right table, in a coordinated way: for the EEB, Zero Waste Europe, SAC and a whole list of others.

Philanthropic support is even more important given that out of the approximately 30,000 lobbyists in Brussels and member states capitals,⁹³ many still oppose measures in this agenda to protect short-term interests and defend the status quo, thereby delaying the transition to circular fashion.

The effects of advocacy are expected to take around a decade to be felt. Political and global events on an 11-year timescale (2019-2030) are utterly unpredictable. Public opinion is not cast in stone. Social circumstances change. Civil society organisations need to be flexible, agile and skilful to influence policy effectively. In the words of Abraham Lincoln: "The best way to predict your future is to create it."

COLOPHON AND ACKNOWLEDGEMENTS

Colophon

Published by Ecopreneur.eu - www.ecopreneur.eu

Authors: Arthur ten Wolde, Polina Korneeva

Acknowledgements

The authors would like to thank all of those who contributed their time and expertise to this report:

First of all, our thanks go to Janez Potočnik for writing the foreword.

Second, special thanks go to the experts Constanze Adolf, Laura Balmond, Bente Bauer, Maarten Dubois, Paula Fontell, Femke Groothuis, Douwe Jan Joustra, Otto Kazil, Traci Kinden, Peter Koppert, Megan McGill, Enrico Rima, Susan Stuebing, Michiel van Yperen and Tamara Zwart and for providing additional information and / or feedback.

Last but not least, this reports builds on the outcome of a workshop “Circular Fashion Policy Lab” organised by Ecopreneur and the European Circular Economy Stakeholder Platform (ECESP) at the EESC in Brussels on 24 May 2018. Many thanks go therefore to the 24 participants, including:

Douwe Jan Joustra, Megan McGill
Traci Kinden
Jef Wintermans
Juliane Reiber, Alyssa McDonald-Bärtl
Arthur ten Wolde
Chloe Fayole
Laura Balmond
Paula Fontell
Femke Groothuis
Maarten Dubois
Mia Pantzar
Enrico Rima
Peter Koppert
Susan Stuebing
Mieke Pieters
Elisabetta Baronio

C&A Foundation
Circle Economy
Dutch Covenant Sustainable Fashion and Textiles
Ecopreneur.eu
Ecopreneur.eu and MVO Nederland
ECOS
Ellen MacArthur Foundation
Ethica Finland
Ex'Tax
EY
IEEP
Lebenskleidung / IVN
Modint
Origame
The Global Picture
VF Corporation

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